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MORE "BROADSHEETS" ON NATIONAL FINANCE :: By SIR OSWALD STOLL

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MORE "BROADSHEETS" ON NATIONAL FINANCE

PUBLISHER'S NOTE

THE success which attended the publication, last year, of Sir Oswald Stoll's *Broadsheets on National Finance* and the interest aroused in the volume the world over would alone justify the issue of this present work.

This interest—sometimes associated with friendly and, at all times, thoughtful criticism—was not confined to Professors and advanced students of Economics but included large bodies of working men and women who are groping in the by-ways of hard study and during scant intervals of leisure in the hope that they may, perchance, lay hold of Truth.

It is needless to record that this experience afforded no small gratification to the author, who trusts that his further contribution to the literature of the subject will be equally, if not more, helpful than his other works.

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By
SIR OSWALD STOLL

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ANTI-NATIONAL FINANCE

SNEAKING-IN THE INIQUITOUS TER MEULEN CREDIT SCHEME ![1]

SUPPLYING WITH OUR REAL VALUES NEEDY NATIONS WHO CANNOT AFFORD TO SEND US MUCH REAL VALUE IN RETURN AND DO NOT WISH TO SEND US ANY IF WE WILL TAKE THEIR BITS OF PAPER!

OSTENSIBLY for the purposes of magnanimously supplying needy nations with commodities and regenerating International Trade, in a financier's sense, but actually for the benefit of a few exporters who, through having foreign financial connections, can superficially fulfil the conditions, the already overburdened

ASSETS OF GREAT BRITAIN
ARE BEING PLEDGED

for exchanging with needy nations real values in the form of commodities for pieces of paper—COMMODITIES WHICH, OR THE LIKE OF WHICH, ARE BADLY NEEDED IN OUR OWN COUNTRY BY OUR OWN PEOPLE FOR NATIONAL CONSUMPTION AND SUPPORT!

Thus at a time when the further pledging of our assets

[1] This Scheme was propounded at the Brussels Conference by Mr. Ter Meulen, one of the representatives from Holland. On behalf of the League of Nations his ideas were elaborated, and Sir Drummond Fraser was appointed as organizer of International Credits under the League of Nations to carry out the practical working of the Scheme. The Scheme has, however, apparently broken down.

(except for the sole purpose of adding to them) is making our national recovery more and more remote, our people are being employed, in so far as much of the employment can be obtained, for the purpose of ridding the country of valuables and taking in exchange paper which the people themselves out of their all too difficult earnings will most probably have to make good!

Not only have the people of this country to find the actual values (some of which they are privileged to consume) with which our pieces of paper money have to be met, day by day, if, when, and where the paper money circulates; but they are now being called upon to meet with actual values (which they badly need themselves but which only foreigners are to be permitted to consume) pieces of paper of needy nations guaranteed by the League of Nations, whilst that body is still an organization which, in so far as it has any concrete existence, is a veritable Tower of Babel and confusion of tongues, where the interested and disinterested advocates of every conceivable true and false racial and national fact and fancy, expressed in various phases in every variety of foreign language, are confronted with solid cliques of their natural and unnatural opponents sowing animosities, practising duplicities, and planning movements which must involve the League in early disruption.

This new exploitation of the British nation—this same British nation which had to stand behind £300,000,000 in German paper for which Germany had had actual values (some to fight us with) when war broke out—is to be accomplished under the

EXTENDED FACILITIES

of the Government Scheme of Export Credits wherein the classes of securities to be considered for the purposes of the scheme include first and foremost:

"BONDS ISSUED IN ACCORDANCE WITH THE

INTERNATIONAL CREDIT SCHEME OF THE LEAGUE OF NATIONS (SO-CALLED TER MEULEN BONDS) : "

and where

" The periods for which the bills to be guaranteed are drawn will be a matter of arrangement, and arrangements may also be made for *renewals*."

ON WHAT SPECIFIC GROUNDS DOES THE BRITISH GOVERNMENT, IN THE INTERESTS OF THE BRITISH NATION AS DISTINCT FROM A FEW INDIVIDUALS, SOME OF WHOM ARE NOT BRITISH, SUPPORT THE TER MEULEN CREDIT SCHEME ?

PUBLISHER'S NOTE.—Following the publication of the foregoing article there appeared in the *Daily News* of July 13, 1921, an article by its City Editor, entitled " The Rebuilding of Europe : What Ter Meulen Scheme Proposes."

Apart from the opening statement as to the desirability of explaining the details of the scheme, in view of the criticisms which (presumably) have assailed it, the article is non-committal in character.

In the following letter to the Editor, Sir Oswald Stoll " points the moral and adorns the tale " by quoting, with telling force, a paragraph which he found tucked away in the columns of a newspaper devoted to the amusement and education of a coming generation of electors !

THE TER MEULEN SCHEME

To the Editor of the "Daily News."

SIR,—Your City Editor refers to the Ter Meulen Credit scheme in your issue of to-day [July 13, 1921].

What he says, if carefully read, fully bears out the dangerous character of this scheme to this country.

Particularly does he point out that:

> "Bargains will, however, become possible and profitable under the scheme, for the bonds he will have to offer as collateral security will be backed by the Government of the importing country, and also, to a great extent, by the exporter's Government."

Your City Editor instances the Austrian Government as having given its pledge, but Austria is in a precarious condition. What, therefore, is its pledge worth?

The guarantee as a consequence must fall wholly on the exporter's Government, i.e., the British Government, i.e., the British taxpayer, at whose expense the "bargains" will be obtained. And by whom?

In searching for that information you will find why Austria is selected as the field of these subtle operations.

The search need go no further than the *Children's Newspaper* of August 7 last, which says:

> "A syndicate of British business men has acquired 80 per cent. of the maritime rights of the river Danube, but the grown-up papers have not done more than make this announcement. A Scotsman and a few associates in international finance have not only acquired

ships and maritime rights, but shipbuilding yards, coal mines, piers, wharves, warehouses, stations and barges, the barges alone representing £20,000,000."

This syndicate was alive to the fact that " the controllers of great rivers have in their hands a mighty power," and knowing " how to get raw materials into Central Europe " they are " putting over " the greatest coup in history.

That is palpably why Austria has been selected as the first field of Ter Meulen operations. But this country cannot afford to be thus deprived of its property for paper which will ultimately have to be met by the taxpayer.

The country is already living on its capital instead of on the products of its capital. Yet, with the country not really living but dying, it is being exploited in the interests of bargains for a few big men, who obtain colossal credits and special Government aid for exploits abroad, when for want of insignificant credits bankruptcies at home are running into thousands per annum and unemployment doles into £2,000,000 per week, with impoverished taxpayers and industrial communities almost in despair.

OPEN LETTER TO THE PRIME MINISTER ON "PRODUCTION"

SIR,—The essential to a great increase in production is that the purchasing power of our money-unit shall be raised higher than that of any other. That is to say, our money in purchasing power per unit must be made to take the lead as money throughout the world.

It cannot take that lead, however, unless its intrinsic *quality* is made the highest in the world.

This quality must be standard gold itself. The money standard in any country is regulated by the money which is full legal tender.

Our Legal Tender, for any amount, is our money standard; and consequently it is our standard of exchange value whether of money or of anything else. The further our Legal Tender falls short of standard gold the further it falls short of the requisite lead. As one of the primary steps to great production, therefore, the total of our Legal-Tender-for-any-amount must be made equivalent in its face value to no more than £3 17*s.* 9*d.* for every ounce of its weight in standard gold.

This number of ounces may be estimated by dividing the market price per ounce of standard gold into the total nominal value of our present full Legal Tender. That number of ounces of standard gold must then be reserved against an equal amount of Legal Tender at £3 17*s.* 9*d.* per ounce. If we have not enough gold the amount of Legal Tender must be correspondingly reduced.

This would make the intrinsic quality of our full Legal Tender the highest ever known to modern civilization.

In other words, our full Legal Tender, for practical purposes, would be standard gold itself wherever and whenever necessary.

On that point, however, it should be remembered that the extent to which it would be necessary can be rendered extremely limited by a free application of our cheque and banking systems.

However, even when we had reduced the quantity of our full Legal Tender to the lowest necessary, and had raised its quality to the highest possible, further action would be necessary in order to render the purchasing power of our money per unit as great as the circumstances of trade require.

Purchasing power, however concentrated in money-units of high quality, is not fully effective unless it is confronted by abundant supplies of appropriate things to be purchased.

These things depend upon power to produce, i.e. actual machinery of production of almost every conceivable kind that will turn out products for fitting into all the niches of diversified human needs.

Therefore, our productive machinery must be raised to a maximum in both quantity and kind.

This can be done only by adding to the *value* of productive machinery, encouraging its further *construction*, increasing its vendibility or negotiability and removing charges by which it is handicapped in working.

The principle in banking which permits loans by one bank to give rise to deposits in other banks which again may use these deposits for further loans, may be utilized by the Government as a means to endow the productive machinery of the country with a privilege in the form of production loans secured on existing productive property and the guarantee of the Treasury. These loans would

revolve in a new orbit in the loans and deposits system, add, in their course, to the value of existing productive properties, promote the construction of more productive properties (highly diversified in character), and remove the stigma that rests upon every such property as a mere lock-up or prison of funds.

When I refer to productive property or productive machinery I mean productive capital, capital being taken, not as funds, but as material property of a productive character in manufacture, agriculture, transport, etc.

When I refer to production loans I mean loans secured on existing machinery of production, plus the national guarantee through the Treasury, but loans obtained wholly and solely for productive purposes, i.e. either for the construction of further productive property as distinct from the products of same, or for the redemption of first charges on existing productive property.

The new-construction phase of the policy would tend to create, as expeditiously as the nature of the case allows, capital values equivalent to those which have been annihilated and which are at present represented by paper which the country will never otherwise be able to make good.

The phase of the policy which calls for redemption of existing first charges on productive properties would inject the dynamic principle into the art of investment and compel investments to move along like healthy running water instead of stagnating too easily in unhealthy pools.

The Chancellor of the Exchequer might comport himself cheerfully with greater reason in regard to the Government Loan which is now " on tap " if this principle were freely in operation.

In this scheme for multiplying the machinery of production to a power capable of an output of products of every conceivable kind in any quantities desired, provision can be made for preserving economic equilibrium and avoiding

over-competition, over-production, and under-consumption.

The essential limitations are fortunately inherent in the scheme itself.

An imperative necessity for enabling the largely increased productive power to turn out its vast output of products at costs consistent with giving to our money-unit the greatest concentration of purchasing power contained in any money-unit, is that Interest on a production loan shall be commuted to a single payment to the Treasury as the price of the national guarantee. Those payments are to accumulate as a Treasury Reserve at the Bank of England.

Though the Banks are otherwise to be well rewarded, as indicated later herein, they are not to receive interest on these loans. They are to receive fees for keeping the account and performing other services, and the fees are to be limited to 1 per cent. for the first year and one-half of 1 per cent. for every succeeding year, on the full, initial amount of each loan, during the whole period in which any part of the loan remains outstanding, i.e. until the last annual instalment in redemption of the loan is provided.

The saving in interest in the costs of production effected by such a policy can be calculated only by those who know the effects imposed by interest and redemption of borrowed funds of inflated value and small purchasing power used in every stage of every industry at the present time.

They are effects which, unless they are checkmated, mean death to all our industries and to all that they represent in investments, power to redeem debt and pay taxes, and national livelihood.

Take as an actual example a case of goods produced with free capital at no interest at 6*s.* 6*d.* each.

Next, assume the funds involved borrowed on the basis of pre-war expenditure, interest, and redemption, when values were quoted in sounder money, to be £28,800.

The service of this debt at 6 per cent. per annum would

require an addition to the costs of £1,728 and would raise the cost of production of the article to 15*s.* 8¾*d.*

Then assume the borrowed funds to be based on capitalization, interest, and redemption in the depreciated money of to-day. In the case in point, this would be £114,000 on which the service of the debt would be 8 per cent., or £9,120 per annum, raising the cost of production to £2 15*s.* 6*d.*

Borrowed funds, interest, and redemption thus multiply the minimum cost of production eight and a half times, and every productive process into which the article must enter is raised in cost by units of £2 15*s.* 6*d.* instead of 6*s.* 6*d.* with progressive results by which, in many cases, prices are raised to ten times what they otherwise would be. This amazing abuse of the capital system will cause the entire structure to collapse, without the aid of revolution, unless the supposed experts in High Finance go back to the A B C of their subject and stop the abuse of the system in time to save themselves and the country.

No Prime Minister could do them a greater service than to perform his duty to the whole people and restore solvency and prosperity by adapting the true use, instead of the abuse, of the Capital System, to the present needs of the country.

Princes reduced to paupers are already working as farm labourers and living in poverty from no other fault than that of being victims of this abuse of the Capital System.

The calculation reversed indicates how the scheme would multiply and cheapen Production in terms of our money as the steam engine multiplied and cheapened it in terms of the depreciated money of the post-Napoleon era; indicates how it would make this country now, as it was made then, the prosperous workshop of a recuperating world.

The business of banking would be handsomely compen-

sated for the loss it might make through a smaller demand for loans on fixed productive assets.

The deposits to which production loans must give rise will be required for creating facilities for the free flow and interchange of the abundance of products added to trade and commerce, facilities in the form of bills negotiable at a discount not exceeding 3 per cent. per annum, proper precautions being taken against the two-headed abuse of such bills, consisting of duplication against one commodity value, and renewal of a bill when its commodity value has been consumed.

These facilities of transfer and interchange are as necessary to trade and commerce as are physical transport vehicles; and banking, with its subsidiaries in acceptances and bill-broking, will deserve the great profits which must accrue from rendering, on a prodigious scale, this essential economic service.

The scale will be prodigious because our trade must be made prodigious. When £8,000,000,000 of paper must sooner or later be carved out of industry in consumable values and new capital values, and when, in the process, yearly interest equal to half the entire pre-war National Debt has to be met, to say nothing of other charges; when producers meanwhile must maintain themselves and their property as well as suffer the ceaseless grind, abundance, written in the largest capitals, is necessary in our trade.

Such abundance can come into production only under these conditions of private enterprise exceptionally favoured and fostered by all the economic resources which the Government of a highly civilized community can command.

Those conditions will bring abundance and the power which abundance exercises in bringing down and keeping down prices. That is the power which opposes scarcity in sending up and keeping up prices.

Those conditions will bring abundance in the forms it

ought to take: abundance of commodities moving in the course of trade: abundance in employed services of both machines and men—not abundance in unsaleable stocks and unemployed.

By such abundance the purchasing power per unit of our money would be made to rise so high, that is to say, the prices of commodities would be made to fall so low, that the merchandise at present held by overstocked merchants and manufacturers would have to be sold at heavy losses, at prices lower than any that the stockholders could ever have experienced or foreseen.

Those who might thus make exceptional losses, offset by no previous exceptional gains, in this readjustment of prices in the national interests, might have a moral claim to reasonable compensation, apart from the future benefits that the change would bring.

If this question of Compensation meant a very serious obligation, and Alexander Hamilton, the saviour of America after the War of Independence, were here to deal with it, he would probably do so with credits derived from reducing to the holders the nominal amount of our later war issues to an amount equal to the gold value when the issues were made, and he would use the reduction to liquidate the claims for compensation for unfair losses imposed by the reversion to low prices in the public interest. Alexander Hamilton would probably justify this act of debt transfer by the fact that the reduced nominal value of the securities still held by the original holders, being on a gold basis by virtue of the scheme, would constitute a much higher actual value than if it had remained at the higher figure on a paper basis.

Labour is not a commodity, but abundance of commodities and high purchasing power of money-units, together, make the wages question easy.

In its power to buy some other moneys the purchasing power of our money is extremely high already.

For instance, small sums of our money will purchase a large sum of German or Austrian money. In consequence of this, Germany and Austria are able to send us goods at prices which not only seem, but really are, extremely low. This they can do wholly and solely because the small sums realized by these prices, although so small, nevertheless enable them to buy large sums of their own money.

The upshot of this is to themselves that they have made their sales to us at *high* prices.

Apart from other reasons it is necessary, in order to circumvent this dangerous position, that our money should be given the highest purchasing power per unit that any money in the world ever had! Given, not captiously, doubtingly, grudgingly, but freely, in a spirit of thankfulness to God that our resources permit it to be given!

Our money must possess not merely the power to buy relatively larger sums of other moneys; it must possess the power to buy in this country such an abundance in commodities, manufactured and partly manufactured, that those commodities, when purchased by Germany and Austria and taken to those countries, will sell for proportionately more of those foreign moneys than sums in our money received for goods supplied to us by the trick of exchange at low prices would sell.

In other words, it must be made more profitable to Germany and Austria, as well as the traders of other countries, having depreciated money, to buy the money of their own countries through the mediation of our goods rather than through the mediation of our money!

If we do not soon produce this necessary change in the present situation, a startled and enfeebled British Nation will suddenly see Germany rising like a Phœnix out of its own Ashes as we drift into national impotence, an easy prey to her vengeance.

But if we make the purchasing power per unit of our

money great enough, all nations will send us commodities for claims to it to be expended here. In that way we shall establish sterling as the uniform currency that the trade of the world requires!

The sun will rise upon the dark fate that otherwise awaits us.

We shall lead where others will follow in a track beaten out by ourselves to the economic recovery of the world!

HAPPY-FAMILY FINANCE AND THE NATION'S REAL BUDGET

WHY should the nation accept ruination through the futile efforts of a few financiers and captains of international industry to ward off essential changes in the financial system underlying our national industries? It is clear that even the British amongst these men do not realize how necessary these changes are. The country has been brought to a deplorable economic condition because the Government has followed the advice of groups of these men who complicate the situation by throwing in their influence with Free Traders on the one hand and Protectionists on the other, or again with advocates of Reforms on the one hand and of Economy on the other, according to sectional and apparently conflicting interests, although these interests are all based alike on a determination to departmentalize industry geographically (and autocratically) whatever may betide national interests.

WITHIN THEIR CLOSED SYSTEM OF FINANCE these groups of men differ in both politics and economics. They are as strangely mated as the "happy family" in a Zoo.

The Government in following the advice first of one plausible section and then of another is confusing its own issues and sacrificing the nation as a whole.

It is forcing INSOLVENCY UPON ITSELF in regard to ITS OWN BUDGET. That is bad enough. But, after all, its own Budget is merely a side issue.

IT IS FORCING A FAR MORE SERIOUS INSOLVENCY UPON A WIDER BUDGET—THAT BUDGET WHEREBY THE NATIONAL LIFE ITSELF IS FINANCED! Here are approximate figures.

The National obligations are understated, whilst the National Income is probably overstated:

THE NATIONAL BUDGET

Expenditure.		Revenue.	
Interest and 1 p.c. Redemption Charge per annum on the National Debt	£420,000,000	Total National Income, including Interest, Rents, Salaries, Wages, and Profits	£3,600,000,000
Government Expenditure	600,000,000		
Municipal Rates	200,000,000		
Private Investments as represented by annual interest, redemption charges, and rent	900,000,000		
Stock Exchange Investment charges	240,000,000		
Annual interest and redemption charges on Bank Loans	60,000,000		
Insurance charges	50,000,000		
Effects of Compound Interest on the re-investment and redemption of Income	36,000,000		
Support of Benevolent Objects and Institutions	25,000,000		
Cost consumed in National Living at 25*s.* per week per person, but incapable of such equal distribution (25*s.* now possesses only 10*s.* worth in average pre-war purchasing power)	3,055,000,000	Balance: Shortage in National Income as compared with National Obligations	1,986,000,000
	£5,586,000,000		£5,586,000,000

N.B.—No Reserves are provided for various forms of obsolescence.

No nation can continue to live on its capital (as distinct from the products of its capital) as this nation is now compelled to do.

IS THE ECONOMY OR ANTI-WASTE CAMPAIGN A REMEDY? IT IS NOT!

It is seen in the National Budget that even were the Government to expend nothing in governing and protecting the country there would still be a deficit of £1,386,000,000.

IS THE EXHORTATION TO WORK AND SAVE A REMEDY? IT IS NOT!

It requires the whole people to live on the difference between £3,055,000,000 and £1,986,000,000, or about 9*s*. per week per person for food, clothes, rent, rates, taxes, insurance, any kind of indulgence and provision for old age (9*s*. now possessing only about 4*s*. worth of pre-war purchasing power). However, the necessarily unequal distribution of the National Income obviously vetoes even this beggarly pittance as an all-round possibility.

The bulk of the income honestly distributed according to contract must go to the favoured section of the nation composed of investors. Substantial investors, however, numerically, are a Minority; therefore the Majority must starve.

From a condition, before the war, in which a third of the population lived on the verge of starvation, a condition, after victory, is to come in which the majority of the people must actually starve.

That is on a National Income of £3,600,000,000. But no such National Income could be maintained under these National Obligations. They would not permit Industry (without compensating endowments) to pay.

THE INDUSTRIAL STRUCTURE WOULD COLLAPSE, AND THE COLLAPSE, INSTEAD OF BEING CAUSED BY REVOLUTION, WOULD BE THE CAUSE OF REVOLUTION!

Financial Values deprived of earning power disappear as completely and as suddenly as the Values of over-priced stocks; and they do so without as much benefit to the needy as over-priced stocks sold under the hammer may confer, though they inflict by their disappearance far greater injury in the general paralysis of trade which is involved.

THE REMEDY IS PLAIN: THE NATIONAL INCOME ITSELF MUST BE DOUBLED EVEN AT A SACRIFICE OF PRE-WAR PRINCIPLES.

The old Happy-Family Finance—cribbing, cabining and confining industry—must allow its Magic Circle to be freely invaded.

Industries must be multiplied, diversified, and energized by new men, new blood, new ideas!

They must be made to yield a National Income of £7,000,000,000 valued in standard gold and far more widely distributed than the present system of Happy-Family Finance permits.

WHAT IS THE SYSTEM OF HAPPY-FAMILY FINANCE?

Briefly it is this:

Banks, Trust Companies, Insurance Companies, and Big Industrial Companies between them collect all the available funds. They make convenient Loans to, or invest in, Industrial, Transport, Power, Coal, Steel, Shipbuilding, and Textile Concerns.

They discriminate against some and in favour of others, with the ultimate effect of supporting only those concerns which are controlled by men who also control the Banks, Trust Companies, Insurance Companies, and Big Industrial Companies.

Opposition interests are bought out or squeezed out, the squeezing being in any event an inevitable effect of the System. All this is Napoleonic! The men are big men! But for all that their minds are too narrow for to-day!

The whole nation must live, or fight for life, even if such men cannot see that necessity. It is not enough that merely the portion which serves their ends shall survive.

Dukes are abandoning their estates, L.C.C. Ambulance Services are picking up starving men fallen exhausted in the streets of London, while Happy-Family Finance pays £20,000,000 for Barges alone in cornering the traffic of the Danube. Such ducal estates are supported mainly by Agriculture. But Happy-Family Finance is the enemy of Agriculture, as it is the enemy of all workers outside its system.

HAPPY-FAMILY FINANCE DOES NOT WANT AGRICULTURE PROSPEROUS IN THIS COUNTRY, BUT IN THE COUNTRIES TO WHICH IT SENDS ITS SELF-DESIGNATED IMPORTS, SO THAT THESE EXPORTS MAY BE PAID FOR BY IMPORTS OF FOOD AND RAW MATERIALS FROM THOSE COUNTRIES.

Happy-Family Finance wants land-workers here to emigrate to attractive areas which it wishes to develop abroad; or, if such workers remain here, to force them to work at anything but Agriculture.

But the War called a " Halt ! " And it decreed that in order to double or treble the National Income, machines must take the place of men in many industries, that industries for manual service must be multiplied, that the general prosperity of the people must be made so abundant that all the food wanted from abroad should not prevent a profitable market for home-grown food, and that all the raw materials that the world can provide should be welcomed both as payment and as staples for industries which must be developed so as to produce manufactures of every conceivable kind at irresistibly low prices for markets everywhere.

The only plan by means of which this may be accom-

plished has been outlined repeatedly to INSCRUTABLE SILENCE! Nevertheless, facts are stubborn things.

THE EFFECT OF THE WAR ON THE NATIONAL BUDGET DEMANDS—

A System of industrial finance essential to the speedy establishment of the greatest number of different industries that economic equilibrium will permit;

A System which will allow industries temporarily unwanted to lie fallow until a new era of prosperity gives birth to a new demand;

A System which will enable us to produce innumerable things at much lower cost than any other people;

A System which will rapidly develop in this country and the Empire a gigantic home market and a prodigious trade with the rest of the world!

The War has ordained that Banks shall perform their legitimate economic function, in facilitating production and the exchange of products, to the limits of their own and the country's capacity; not merely to the artificial limits of an unduly self-determined capacity.

Finally, the War has determined on the one hand that Insurance Companies, whose policies will nevertheless increase in number and amount; that Trust Companies, whose funds, even so, will flow more freely in; and that Big Industrial Companies, whose turnover after all will grow in speed and magnitude, shall obtain income on their surplus funds either (1) by investment in the Public Funds, or (2) by helping to extend and to diversify production; and on the other hand, that they shall *not* do so by helping unduly to limit production either in quantity, kind, or personnel.

THE ALTERNATIVE IS A GENERAL DÉBÂCLE.

SECOND OPEN LETTER TO THE PRIME MINISTER

DEAR MR. PRIME MINISTER,—In your speech at Inverness on Tuesday last you referred to fluctuations in prices owing to varying monetary relations, and you asked without requiring an answer: "How can you face prices either as a purchaser or as a seller when there are fluctuations of such an enormous character in a single day?"

You are of course right: and you would be right in no less degree in applying the principle in cases where the fluctuations in monetary relations are not so obvious.

On the fatal morning in 1916 on which the announcement appeared in the Press to the effect that a great agricultural expert had come to the grave *financial* judgment that he had fixed the price of wheat, I called at 10, Downing Street, and pointed out to a gentleman representing you that nobody could fix the price of wheat in money of which the character was changing daily; and that if Mr. P—— really wished to fix the price, he should first fix the money.

If you had known of that call it is clear that you would have understood!

Another well-intentioned expert whose views have an opportunity to mis-colour your own does not see "that we could hope for any return to normal conditions until the political and financial conditions of Europe had been stabilized."

Our outlook would indeed be black if that were true.

Before you accept that dictum, however, may I suggest that you seek the advice of a great statesman of November,

1914, who had not then become Prime Minister and who was not then suffering from the advice of so many experts, including distinguished professors who cannot distinguish between " nominal cost " and " method of fixing nominal cost." He said at that time:

> " We had not merely our own business to run: we were an essential part of the machinery that ran the whole international trade of the world. We provided the capital to raise the produce: we carried half the produce, not merely of our own country, but of the whole world. More, we provided also the capital that moved that produce from one part of the world to another, not merely for ourselves, but for other countries.
>
> I ask anyone to pick up just one little bit of paper, one bill of exchange, to find out what we are doing. Take the cotton trade of the world. The cotton is moved first of all from the plantations say to the Mississippi, then it is moved down to New Orleans; then it is moved from there either to Germany or Great Britain or elsewhere. Every movement there is represented by a paper signed either here in London or Manchester or Liverpool; one signature practically is responsible for the whole of those transactions. Not merely that, but when the United States of America bought silk or tea in China, the payment was made through London. By means of these documents accepted in London, New York paid for the tea that was bought from China. We were transacting far more than the whole of our own business: we were transacting half the business of the world as well by means of these paper transactions. What is also important to establish is this: that the paper which was issued from London has become part of the currency of commerce throughout the world."

(From a Speech by the Rt. Hon. David Lloyd George, M.P.)

The Bill on London was the *main* currency of International Trade! Why?

Because it was a claim to the soundest Legal Tender Money in the world, and as such was acceptable in any part of the World of Trade and Commerce.

That money was the soundest Legal Tender because it was a given weight of standard gold: it was a claim to that gold or to the gold equivalent in other commodities: i.e., to the largest quantity of a given quality of commodities obtainable for money. In this money, because it consisted of the metal which constituted the highest practicable standard of value, prices were as low as circumstances in general would allow and, unless held up by price rings, lower than prices in any other country.

The lowest prices meant that the money had the highest purchasing power or, in other words, that the money had a very high value, making low wages comparatively high wages, low rents comparatively high rents, low profits comparatively high profits, low taxes comparatively high revenue, low government expenditure comparatively high expenditure, low fixed charges compatible with high interest, the interest having to be compared against either high or low interest on unduly large capital sums.

When the Bill on London ceased to have the qualities which had made it the main currency of International Trade, the currency ceased, and then the trade.

The quickest single method of paralyzing the trade of the world is to stop the Bill on London.

Restore this currency and you will restore the trade.

The Bill will restore itself in response to a policy of renewing the character of the Legal Tender Money to which the Bill was and should be a claim. That renewal can be effected by giving back to the money its two distinguishing qualities:—

1. The old weight of standard gold per unit.

2. The greatest purchasing power of any money in the world.

We have enough gold for purpose one because we have facilities in our cheque system, and the power to tax the needless use of legal tender, sufficient to enable us to reduce the quantity of necessary legal tender to equivalence with the gold possessed.

We can also provide the necessary degree of purchasing power. But to do this requires a less obvious expedient. Extraordinary standing or fixed charges added to heavy rates and taxes hopelessly cripple our industry. They are compelling higher prices to be charged than will permit of money having the high degree of purchasing power essential even to gold money in the solution of this problem.

Yet to reduce these fixed charges adequately would involve repudiation of obligations, an unthinkable expedient. The extension of production to a degree which would lighten these charges by spreading them out thinly over a wider surface is not possible without resort to financial boldness.

At present the burden is becoming heavier by concentration on a *smaller* surface as industrial institutions unable to continue at a loss are closing down.

The country is reduced to the condition of a great railway undertaking having immense fixed charges with utterly inadequate, yet still falling, traffic! The position of such a railway company becomes untenable unless it can either eliminate, reduce, or render merely contingent its fixed charges, or instead, *multiply its traffic!*

Over and over again big financial interests have been faced with such problems in the Railway World of the United States.

As it was not in their power to multiply the traffic they eliminated, reduced, or rendered contingent the fixed charges whilst also cutting operation expenses, with the

ultimate effect that everybody (except the big financial interests) lost something.

The policy which is being applied in our national crisis apes that of the big financial interests in a railway crisis. We are cutting operation expenses. But that was never more than part of the railway plan. The whole plan was always necessary for success. This, however, could never be applied in national reconstruction. To eliminate, to reduce or to render contingent National Fixed Charges would involve repudiation or partial repudiation or confiscation of national debt with ensuing anarchy: whilst even then, as the National Debt does not represent the whole of the National Fixed Charges (which include the entire body of private fixed charges also), the whole of these charges could not be treated as they are known and dealt with in a railway reorganization.

But the alternative remedy which is not possible in railway finance, viz., multiplication of traffic, is quite possible in national finance.

The nation, through the machinery of banking, can use the principles of finance for production loans to be utilized in the lightening of charges on production and in the creation of further productive concerns, which, by the conditions of the loan, would produce profusely under new and strange conditions of freedom from burdensome charges. Without repudiation of charges incurred in the past, charges on future production would thus be so lightened and the traffic of Production so multiplied, that the effective purchasing power of our restored money would rise to the necessary height.

In the actual traffic arising out of this multiplied production there would be ample use for the deposits to which the production loans would give rise. This use would be the discounting of Bills on London drawn in the traffic in multiplied products, every Bill being backed by its parcel of commodities, priced in standard gold.

" Be Not Afraid ! " Those who say there is " No Fund ! " from which productive resources can be drawn are profoundly wrong.

None are so blind as those who will not see. They would allow Austrian Barges to stand in their balance sheets as a fund of £20,000,000, and Reparation Ships, for which there are no freights, to represent a fund that pays an indemnity, but they would deny additional use of a Nation of British Brains and Muscle to be worthily representative of any fund. According to them the price of Consols ought not to be even 48. It ought to be nil ! For where is the Fund ?

Where is the Fund by virtue of which our great War Debt continues to have Value as an Investment and Security ?

The " No Fund " argument is farcical, because funds are as elusive as the pea under the thimble, and in the main have merely representative existence, in which both past and future time are merged and from which present time is excluded.

If the representative character of funds were disallowed in law, balance sheets as they exist would become waste paper, the major portion of the World's wealth would disappear, and civilization would be thrown back a thousand years. If it cannot be disallowed in law, why not use it further—but only productively !

In conditions of abundant production, sound Legal Tender and consequent high purchasing power of our money, Bills on London created abroad (because it had become to the interests of foreign traders to create them), providing Imports to justify Exports, would set going once more that international trade the absence of which is so deplored. The Bill on London, instead of being the main currency, would become the only currency !

We should not have to wait for the restoration of an at present impossible stability in general exchanges.

If the Bill on London in terms of rehabilitated Legal Tender is carefully based on the delivery of goods, rather than upon gambling in differences and finance bill operations, nothing more is needed for the rehabilitation of an extensive foreign trade, with sterling as a universal money.

Much else would happen, also of vital import to British existence !

THE MONETARY CRISIS

A REPLY TO PROFESSOR CASSEL

To the Editor of the "Daily Telegraph."

SIR—Although the politics of Sweden did not help us during the war, we need not cavil at the help that Swedish economic thought is now offering us during the aftermath. Nevertheless, we should not accept Swedish advice, even from Professor Cassel, as a part of British policy merely because Swedish economists differ from British economists. We should look the gift horse in the mouth.

In monetary affairs, Professor Cassel says, "Behind all current measures of the day there is no definite aim and no distinct policy." This is not true. Politicians may be unconscious instruments of it, but both in this country and elsewhere there is a very definite and very destructive policy being cleverly and relentlessly applied. It need not be described, seeing that it may so easily be judged by its effects. These effects are beginning to make themselves felt in the collective force of circumstances. The policy will fail because its promoters fail to appreciate the nature and size of their problem.

Professor Cassel is also inconsistent. In one place he claims a "centre of stability" as the primary need for the economic recovery of the world. In another place he stigmatizes as selfishness the action of the strong country which would say, "We don't care for other countries, we are quite satisfied if we are able to secure gold parity for our own currency." Professor Cassel thinks that leadership

in stability is badly needed, if it is British and American; but that leadership in stability is not only selfish, but " extremely unwise," if it is only British. Hence, if it can be British alone he destroys his own argument. Again, he speaks of deflation in the sense of contraction of credit, as if it involved the same kind of fall in prices as deflation of the quantity of paper legal tender in relation to its gold backing, i.e., the raising of the legal standard of value. But whereas the former means death to business, the latter means rebirth.

Professor Cassel places gold amongst commodities. Gold may be a commodity and rise and fall in price with expansion and contraction of credit, but it cannot do this as a standard of value when the price is quoted in terms of legal tender of a character which consists of gold itself. It is in this fact that monetary stability in exchanges resides. Like present-day legal tenders, Professor Cassel has lost his bearings in relation to gold, because the value of gold of which he speaks is stated in varying moneys which have ceased to be the gold, or its equivalent, that they once were. Gold, as a matter of fact, has not changed in monetary value. The monetary value has changed in gold. Gold has not risen; legal tenders have fallen. The gold which is legal tender cannot rise above or fall below itself in terms of that legal tender. The so-called instability of gold, which is the most stable store and standard of value that human experience has discovered, is really the instability of the legal tenders divorced from gold.

Once before the British people led the world in the legal adoption of the gold standard, making custom into law and supporting law by the guarantee of the Mint. It made British legal tender the " centre of stability " for the monetary calculations of the world—the law of gravity in finance —British legal tender, in being truly standard gold, served the purpose of giving specific gravity to specific exchanges,

as water serves the purpose of giving specific gravity to solids, and liquids and hydrogen to gases. It made London the financial centre through which, by means of bills, settlements of exchanges in trade and commerce between individuals and nations financially cancelled one another. It made us able to save the world to-day.

What is needed in the world to-day is that the British people shall perform its feat of magic once again. Now, even more than in the past, it is the only nation capable of giving this lead. Notwithstanding the gold possessed by the United States, that country is not in a position to give the lead. It is suffering from a *faux pas* in finance. This is represented by the quantity of legal tender paper uncovered by gold which it cannot get rid of for years to come, owing to the backwardness of its cheque system. A conference with America on this question might be of interest to the American Government, but it would not expedite our own recovery or that of other nations. Even the persuasive eloquence of Mr. Churchill could not alter or even successfully temporize with facts that are fundamental to modern society. The sooner we get busy on making sterling the " centre of stability," the more significant our presence at any conference will become.

Professor Cassel is at one point very unfair to his undoubtedly high intelligence. He makes too much of mere incidents. It may be that as a result of reducing the nominal cost of production by raising the purchasing power or value of money " the currency of the country would be raised in international valuation so much as to counter-balance, in foreign trade, the advantage of the nominally lower cost of production." This means that, with sound legal tender here, German goods might come into this country even cheaper than now to an extent which would leave us as we were. Hence he argues : Do not revert to the gold standard ; do not give your money greater purchasing power. If the pro-

fessor really means this, he condemns himself as negligible. It is not an evil that for a time we should get some commodities curiously cheap. It is our own treatment of this anomaly that hurts us.

The problem can be solved by adaptation of the principle of the free port into special ports into which the goods can be admitted for re-export only. Are we not crying aloud for cheap goods for export ? If the British public obtain unduly cheap watches, watchmakers are thrown out of employment. If the watches are sold abroad, watchmakers who might make for export are deprived of business. But, as matters stand, watchmakers for export are deprived already. Hence, cheap watches from Germany could be used for export only, without hurting the makers of watches for the home market. They would thus provide an export trade where none exists. There may be forms of production for the home market and for export in which articles which may come thus cheaply from Germany are extremely helpful. To prohibit entrance of such articles would decrease employment in those occupations and raise our cost of production. In those cases consignments to the special ports should be admitted into the country by special permit. However, this incidental question seems too simple to pursue.

THE PROBLEM OF WORLD FINANCE

A REPLY TO DR. CASSEL

[NOTE.—Following the publication of Sir Oswald Stoll's article entitled "The Monetary Crisis," the *Daily Chronicle* published on October 18, 1921, under the title "The World's Financial Problem" an article by Dr. Gustav Cassel, Professor of Political Economy, University of Stockholm. The article was prefaced by editorial paragraphs which stated: "In view of the Prime Minister's speech in the House of Commons to-morrow on industrial depression and unemployment, the following memorandum written by Professor Gustav Cassel, of Sweden, will be read with interest. Professor Cassel was described by Mr. Lloyd George in his recent speech at Inverness as one of the most brilliant economists in the world." Sir Oswald Stoll's reply to this article appeared in the *Daily Chronicle* on October 19, 1921.]

TO THE EDITOR OF THE "DAILY CHRONICLE."

SIR,—Notwithstanding the statement by Professor Cassel in the *Daily Chronicle* of to-day (October 18), only one "profound" change has taken place in the "monetary sphere." That is the abstraction of the fixed weight of standard gold from the units that constituted real money. It was taken as by a thief in the night. The theft, with its incalculable loss, was as real. There is now, in fact, no real money in use, although there is much legal tender.

The inflation spoken of by Professor Cassel as one thing, is really three things:—

(1) Inflation, or increase, of the amount of sound credit created.

(2) Inflation, or increase, of the amount of unsound credit created.

(3) Inflation of legal tender by issuing paper money against a decreasing ratio of standard weight of standard gold.

The first provides an increase of purchasing power: real if the increase of commodities and services keeps pace with it; counteracted by higher prices if the increase of commodities and services falls short; added to if the increase of commodities and services outpaces it, and so forth.

The second is inflation in a true sense of the word, being an increase in volume, but not in substance, and exploding with a loud report and a smash in due course.

The third is the inflation, or devaluation, of the standard by which all credit, whether inflated or otherwise, unsound or sound, must be measured for its intrinsic value and purchasing power in connection with particular transactions reduced to terms of money. It is equal to debasement of coinage, lightening of standard weights, shortening of measures, adulteration of food, etc.

THERE HAS BEEN NO DEFLATION

Notwithstanding the contrary view held by Professor Cassel, there has been no deflation as opposed to each kind of inflation.

There has been deflation of the inflation, or increase of sound credit, with the effect of paralyzing many old and new concerns and stifling others.

But there has been no deflation of the inflation, or increase, of the unsound credit that was created, because it rested on nothing which could be sacrificed in order to abolish it, and its deflation would involve a financial crisis of a most acute character and corresponding magnitude.

Nor has there been any deflation of the inflation, or devaluation, of legal tender. Such deflation means the re-creation of a legal tender which is 100 per cent. in weight of standard gold, either in coin or in bullion held against the paper, if paper is retained.

Odd sovereigns, or even considerable reserves of gold, do not count if other instruments in excess of the nominal

value of the gold itself are forceable in trade as "legal tender for any amount."

VALUE OF THE DOLLAR

Inflation, or increase, of sound credit, and deflation of unsoundness in legal tender will not make prices fall and paralyze production. That policy may make prices rise in some things and fall in others, but it will cure trade paralysis. If Professor Cassel opposes that principle and yet is accepted by leading statesmen as "one of the most brilliant economists in the world"—God help the world! Let us hope that this encomium applies to his ability rather than to this particular use of it.

As there is no country with any policy of true deflation, it is untrue to speak of "consequences" which have assumed very alarming proportions in countries "with the most drastic policy of deflation."

The United States has not forced up the value of the dollar in the sense of making the unsound dollar sound. It has deflated, reduced or contracted, sound credit, and thereby injured industry, thrown six million workers out of employment, and reduced commodities and effective services in order to have fewer unsound dollars in the form of Federal Reserve Notes. Such deflation does not increase the purchasing power of the dollar, because it decreases the supply of commodities and increases the services which are capable of being rendered, but which are not required.

The United States will not have deflated the inflation, or devaluation, of the real dollar until every dollar which can be forced upon a creditor as legal tender is 100 per cent. standard gold.

Deflation of this kind is not a question of degree in any but a negligible sense. Deflation proper is practically the whole hog or none.

STABLE RATES OF EXCHANGE

In relation to exchanges, Professor Cassel states : " World commerce can accommodate itself to any values and to any rates of exchange, provided only that they are stable ! "

But the only way to obtain stable rates of exchange is to have stability in the currencies ; and the only way to have stability in the currencies is to have the legal tender in which they are denominated composed of the source of stability, viz., the standard weight of standard gold yielded up by the human experience of centuries—a standard which is independent, self-contained, and not easily manipulated by speculators.

Any legal tender which departs from this form of stability produces instability in cycles by its effects on prices leading to expansion in volume, without substance, in credit and so-called business.

Contrary to the view expressed by Professor Cassel, the restoration of the gold standard involves no difficulties that cannot be easily and quickly overcome. He says : " These difficulties are a result of the fluctuations in the value of gold." Well, there are no fluctuations in the value of gold in the sense material to the point at issue, viz., gold as legal tender.

The value of gold in other commodities is always varying with the supply of commodities in relation to the demand. In war or peace, in fat or lean years, the one commodity in the one scale against all other commodities in the other scale must have an altered value, even thousands of altered values, in relation to those other commodities over any period of time.

But gold cannot lose its constancy of value, as the constant by which all values are judged. Value of gold on the one hand, and value of gold legal tender on the other hand, where the legal tender merely expresses the monetary

value of the gold, are identical. That is the meaning of the time-honoured stability searched for in the application of the principles and practice of legal tender.

GOLD AS A COMMODITY

Gold as a commodity varies in relation to all commodities at different times and places, but gold is the best commodity extant as a standard money for storing and measuring values, and in that capacity is less variable than any other commodity.

It is a commodity that is necessary, one that can be seen and weighed and tested by all men.

It cannot be an agreement between a few men with influence enough to get mere ideas coined into law, ideas capable of being changed by the same process when a good "frame-up" against half mankind has been appropriately staged.

The gold market will look after itself in any country in which standard weight of standard gold represents the total amount of legal tender money.

I shall not traverse what I regard as the special pleading in which Professor Cassel indulges on behalf of the United States, or his animadversions on indemnities; or his call upon Great Britain for a conference, wherein Great Britain, holding the ace, may be induced not to play it.

If what I have said conveys no warning, nothing will.

THE NATURAL LAW OF MONEY

WHAT IS A NATURAL LAW?

"LAWS properly so called are commands"—commands "by God to His human creatures," commands "by men to men." But "command" in the sense intended is "distinguished from other significations of desire, not by the style in which the desire is signified, but by the power and the purpose of the party commanding to inflict an evil or pain in case the desire be disregarded." (Austin's *Jurisprudence.*)

Such commands "by men to men" are positive law, law simply and strictly so called, "law set by political superiors to political inferiors." (Austin's *Jurisprudence.*)

Such commands "by God to His human creatures," as distinct from those revealed in Scripture, are not unfrequently denoted by the following names and phrases: "the law of nature," "natural law," "the law manifested to man by the light of nature or reason," "the laws, precepts, or dictates of natural religion." (Austin's *Jurisprudence.*)

SANCTIONS TO PROCURE OBEDIENCE

In Positive Law the sanctions, conditional evils, or forms of pressure to procure obedience, which will operate in the event of disobedience, are designed by and will operate according to the will of Man.

In Natural Law those sanctions must operate irrespective of the designs or the will of Man, and cessation of their operation can be procured only by recourse to renewed

obedience to the law. Natural Laws are binding on all Mankind.

GOOD AND BAD LAW

Positive Law based on Natural Law is good law. Positive Law inconsistent with Natural Law is bad law. The one leads to the orderly advancement of mankind; the other to chaos, degeneration, and extinction in human affairs.

Positive Law based on a rule of conduct which the governed have for ages observed spontaneously, a custom **not** arising from the position or establishment of political superiors, and compatible with the principle of general utility, is law that is absolutely imperative.

THE NATURAL LAW OF MONEY

Such a law is the Gold Standard!

Gold was naturally selected as real money by mankind after the incalculable experience of many ages, not by the order of political superiors, but often as a means of protection against them: selected by reason of its own intrinsic character in accordance with the principle of general utility. It was selected by the natural forces of general motives in essential human affairs from all the commodities of the universe as the one commodity which, in ancient barter or modern exchange, might safely, conveniently, and profitably be accepted in exchange for any and all other commodities, and as the foundation of all monetary records of indirect and incomplete exchanges. Of all commodities one commodity had to function as a store and a standard of all other commodities, and the commodity constituted by nature and recognized by Mankind as serving the purpose was Gold. This store and its standard is true money. It constitutes the natural law of money. There is no other.

THE ROADS TO ORDER AND TO CHAOS

Acts of the class which observe that law are economic-

ally sound: acts of the class which repudiate it lead to economic chaos.

To-day many conflicting, even contradictory, policies, including our own, in industry and finance, consist wholly of acts of the latter class. So the world is in a state of chaos.

How true, applied economically, in this crisis, are the following words of John Austin:

> "Where is the human authority bearing such marks of trustworthiness that the ignorant may hang their faith upon it with reasonable assurance? Reviewing the various ages and the various nations of the world, reviewing the various sects which have divided the opinions of mankind, we find conflicting maxims taught with equal confidence, and received with equal docility. We find the guides of the multitude moved by sinister interests, or by prejudices which are the offspring of such interests. We find them stifling inquiry, according to the measure of their means: upholding with fire and sword, or with sophistry, declamation and calumny, the theological and ethical dogmas which they impose upon their prostrate disciples."

GOLD STANDARD LEGAL TENDER IS REAL MONEY

Legal Tender for any amount, as units of a given weight of standard gold (standard gold being the pure commodity hardened with an alloy to the least degree necessary to enable it to preserve its shape as coin) was real money before the war. It was so in fact and also by positive law based on natural law revealed by selection in the customs and experiences of ages. At home and abroad, in trade and commerce, it was "the human authority bearing such marks of trustworthiness that the ignorant (anywhere) might hang their faith upon it with reasonable assurance."

Now, even our Legislators, like Peter denying Christ, **know not real money** because the denial seems convenient

here through fear, there through greed, to some through strategy, to others for the sake of reputation because no one is accepted as an authority or an expert in such matters who cannot, or will not, express the denial in specious form.

So Legal Tender now is positive law without its natural base and has therefore ceased to be real money!

It has taken its place amongst paper substitutes.

WE REGARD "TO EXIST" AND "NOT TO EXIST" AS IDENTICAL

And because paper and other tokens may be safely and profitably used as instruments for economizing the use of **real money which exists**, it is assumed with "conflicting maxims taught with equal confidence" that they may be used as instruments for economizing the use of **real money which does not exist!**

The assumption is futile. Any policy based on it is like a house built on sand. Hence the failure of every application of such a policy in the series of brilliant edifices followed by precipitate collapses which the architects of our fortunes have planned.

SINISTER INTERESTS IN CONFLICT

Inflationists and Deflationists, each with sinister interests, bewilder the Prime Minister with their panaceas. Too-rapid deflation, it is said, is responsible for these failures. Hence he is urged to a policy of renewed Inflation. That is, to further flights to carry us further from our imperative need of real money.

THERE HAS BEEN A MERE TENDENCY TO DEFLATION

But there has been no Deflation. The Cunliffe Committee recommended the restoration of the convertibility of the pound note into a sovereign on the same terms as before the war. That would indeed be deflation. But not only has this not taken place, but the other recommenda-

tions of the Cunliffe Committee prevent it from taking place.

They recommend cessation of Government borrowing. But the Government will have to borrow our unsound Legal Tender in order to cancel it. The Government will also have to borrow the wherewithal to meet effects of this cancellation. The Committee recommend the raising of the Bank Rate in order to check a drain of gold abroad and speculative expansion of credit at home. But unless the pound note is already convertible into a sovereign, the raising of the Bank Rate is a mockery. Five per cent. on £100 of real money is truly 5 per cent. But 5 per cent. on £100 having a purchasing power of £40 is 12½ per cent. Is 12½ per cent. not high enough? As to gold without convertibility and the changes it now connotes, sooner or later our gold must go, Bank Rate notwithstanding.

Finally, the Committee recommend the limitation by law of fiduciary note issues. But they have not the courage of their convictions, seeing that they do not recommend also the immediate cancellation of fiduciary Legal Tender note issues in excess of those existing at the outbreak of war.

By reason of their bias and their prejudices the Committee really believe in, and recommend,—and our Legislature has practised—not deflation, but a tendency to deflation, as if the tendency were the actuality. As well might the tendency of an apple tree to bear fruit, which might never mature, be regarded as the fruit already gathered and ripe for consumption.

OBEY THE LAW OF MONEY!

There is but one course for us as a people. We must restore ourselves to a state of obedience to the natural law of money, and on that base alone build all our economic policies. We can do this by reducing our Legal Tender to equality with our gold. We can extend our cheque system, in transferring credits, as far as will render that

amount of Legal Tender adequate. We can force the cheque system, not only by appeal and propaganda, but by special taxation of payments exacted in Legal Tender in excess of £1. The needless use of Legal Tender would thus be reduced to a minimum.

THE ONLY WAY AND THE ONLY COUNTRY

Ours is the only country in the world with a cheque system far enough advanced to render this policy practicable. For this reason, of all nations to-day, our nation is the natural leader! We can lead the world in trade revival. We can cause the world to send its products in British ships over every sea to the one market where sales will be calculable, safe, and certain, and purchases equally so. We can make ourselves the universal entrepôt for many, many years.

From our ports and to our order reciprocating freights can journey to and fro. Production, encouraged at home by compensatory conditions necessarily coeval with reversion to real money, and by privileges rendered imperative as a means of counterpoising overwhelming burdens, can attain to the vastness and the diversity that a prosperous home market and huge foreign demands would absorb.

No country would seek our gold. All would seek our goods. There would be no international jealousies of us, for a spirit of thankfulness would animate all peoples that the way had been opened to world-wide economic recovery.

For us the Great War would have given birth to the Golden Age. But, alas! Golden Opportunity is knocking in vain at our doors! It knocks in the guise of that principle of **truly general** utility which is the index to the natural law on which positive law should be based—and it is **not** admitted. But any of its enemies, one or other false principle of special utility, is readily admitted because the immediate consequences are pleasing, though sectional and short-lived, while the ultimate consequences are becoming terrible.

OUT OF THE MOUTHS OF BANKERS!

No reflection is intended against temporary representatives of a Permanent SYSTEM. No reflection is cast upon the legitimate use of THE FINANCIAL MACHINE in Banking Proper.

UNLESS THE CONTROL OF FINANCIAL MACHINERY IS WIDENED THE NATION WILL BECOME MERE POVERTY-STRICKEN SERVANTS OF A FEW FINANCIAL TASKMASTERS. THIS CONTROL SHOULD BE MADE NATION-WIDE, BUT NOT NATIONALIZED IN THE IMPOSSIBLE SOCIALIST SENSE.

THE CONTROL SHOULD BE MADE NATION-WIDE IN THE SENSE OF INDIVIDUALISM, WHICH WOULD GIVE FREEDOM, WITHIN THE LIMITS OF THE CONSTITUTION (THAT IS, UNDER CONDITIONS NECESSARY TO THE PRESERVATION AND PROGRESS OF THE STATE) TO EVERY INDIVIDUAL UNDER THE CROWN, TO PARTICIPATE IN THE BENEFITS OF THAT UNIQUE FINANCIAL MACHINERY WHICH IS RENDERED POSSIBLE BY NATIONAL OBSERVANCE OF THE BRITISH CONSTITUTION INCLUDING THE HONOURABLE OBLIGATIONS IMPOSED BY THAT CONSTITUTION UPON THE PEOPLE AS A WHOLE FOR THE BENEFIT OF THE PEOPLE AS A WHOLE AS COMPOSED OF INDIVIDUALS, INDIVIDUAL MEMBERS OF A SINGLE POLITICAL SOCIETY, INDIVIDUAL MEN, WOMEN, AND

CHILDREN!—NOT OF A CUNNING FEW WHO BY PLOTS AND PLANS HAVE TAKEN ADVANTAGE OF ALMOST NATION-WIDE DOCILITY AND GOOD FAITH TO LIMIT THOSE BENEFITS AND TO PROCURE THEM FOR THEIR OWN SMALL GROUPS.

When the financial benefits are limited so as to be derived from a few great industries requiring vast numbers of comparatively unskilled fetch-and-carry workers, it is essential to the great financial interests that the population should be reduced to circumstances which compel the individual to work at those few industries at low-standard wages as the alternative to starvation or emigration.

Hence, a great Banker,[1] on Thursday, January 26th, 1922, stated:

> "Taking all things into consideration, I think that the outlook is certainly brighter than it was a year ago, NOT THAT ONE EXPECTS OR WISHES TO SEE A BOOM IN TRADE THIS YEAR."

His Bank made over £2,000,000 available profit, on the year.

In order to compel workers to seek employment in a few callings, it is **necessary** to prevent them from obtaining employment in other industries or in new enterprises. To accomplish this, Financial Support must be withdrawn. Lack of financial support destroys old and prevents new industrial activities, swelling the ranks of the unemployed and impoverishing the people to the desired extent. Lack of financial support takes the form of Contraction of Credit. Contraction of Credit means the withdrawal of financial support.

Hence the great Banker significantly stated:

> ". . . the bank has exercised unusual forbearance

[1] Sir Wm. H. Neville Goschen, K.B.E., Chairman of the National Provincial and Union Bank of England, at the Annual General Meeting held at the Cannon Street Hotel.

and leniency with regard to the renewals of advances which otherwise would have become due for payment."

His Bank forebore to destroy !

Nevertheless, the tragedy of the system is behind other words from the same lips, viz. :

" Manufacturers and the wholesale trade have to a great extent faced and realized their losses."

Many have gone out of business. In the regulation of how the people shall be employed the controllers of the Financial System have in the past discriminated in favour of Trade and Industry as against Agriculture. But after Agriculture, the unwanted in Trade and Industry are made to suffer.

As the wheels will not turn of Mills whose owners cannot " raise the wind," connect with a Power Station, or Tap a Pipe Line, so it is found that the wheels of business will not turn without the " by your leave " of a great Bank, a great Insurance Company, or a great International Syndicate, obtained either directly or through an accredited agent. Discrimination in favour of special, as against general, Trade and Industry has now set in.

Hence, another great Banker [1] comments upon a remarkable exception to the seeming impossibility of reviving trade. He says :

" In spite of the enormous sacrifices manufacturers and merchants alike have made to meet the situation in cutting their losses and writing down their stocks at home and abroad, and in spite of the admitted shortage of supplies in the countries to whom we ship our goods, still the long-hoped-for demand fails to materialize, and it still appears that foreign countries are unable to buy on the terms at which we can afford to sell. A REMARKABLE EXCEPTION HOWEVER MUST

[1] Captain Gerard Powys Dewhurst, Chairman of Williams Deacon's Bank, at the Annual General Meeting held at the Manchester head office on January 26th, 1922.

BE MADE TO THE LIST OF DECREASED EXPORTS WHICH APPEARS FROM THE OFFICIAL RETURNS UNDER THE HEADING OF TEXTILE MACHINERY. HERE THE TOTAL SHIPMENTS DURING THE PAST TWELVE MONTHS SHOW AN INCREASE OF 150 PER CENT. IN TONS AND 175 PER CENT. IN VALUES OVER 1920, AND WHEN I ADD THAT OVER 60 PER CENT. OF THIS TOTAL WAS DESTINED FOR OUR EASTERN MARKETS I AM AFRAID SOME OF US WILL NOTE THE FACT WITH MIXED FEELINGS."

Financial discrimination is clearly being made in favour of a special line which will undermine the general textile workers of Lancashire and Yorkshire!

It is to the demands for such so-called "legitimate" trade accommodation that the Financial System responds, eliciting the proud words from another great Banker,[1] apologizing for an apparent contraction of credit:

> "I think you will agree that customers of the bank have suffered in no way from a restriction of credit."

How deftly the term "customers" is handled!

How interesting would it be to examine it logically in its two senses, Universal and Particular!

This great Banker admits that "the trading community require the assistance of the banks." That being so, it ought to be impossible in certain circumstances for the Banker to withhold it, for it is by the trading community, not the Banking Community, that the people may **live!**

The accounts of the big Banks prove that, however credit has been extended for special purposes, many millions

[1] The Rt. Hon. Reginald McKenna, Chairman of the London Joint City and Midland Bank, at the Annual General Meeting held at the Cannon Street Hotel on January 27th, 1922.

of credit have been contracted or withdrawn from general purposes, despite the admission of this great Banker that:

1. "We know that if business is to expand and prosper continuous additions must be made to the capital employed."

(It is a truism that in a business depleted of cash Banking Credit is the chief means of obtaining the capital goods which answer to extra capital employed.) And

2. "New plant cannot be acquired: additional stock cannot be bought: growth becomes impossible."

He blames Taxation for this, when he should blame contraction of credit by the Financial Community, including his own Bank, at a time when Taxation must inevitably be heavy whatever policy it is practical politics for any Government to adopt. But even in Taxation £100,000,000 of this, paid in doles, is imposed as a consequence of unemployment organized by destructive Finance.

Worst of all, he knows **that**:

"In such conditions business must become stagnant, and in this country, where the industrial organization is contrived for expansion and a continually growing production, stagnation means failure!"

So we are heading for general paralysis of trade and a general moratorium which there will be no war boom in trade to nullify or neutralize!

This great Banker admits in other ways the effects of Financial Policy on Trade. He says:

"In Russia we see the complete industrial and commercial collapse in which the **inflationary process** finally ends: while in this country part at least of the trade depression and unemployment and much of the budgetary difficulty which we see ahead of us are attributable to the policy of **deflation.**"

But why are these opposite policies destructive? Because the Financial System underlying them is destructive!

He says:

> "Looked at from the point of view of national wealth and prosperity in which we all have an interest, it is bad policy to deprive business men of . . . a reasonable return for their labours."

Quite so. But looked at from the point of view of our destructive Financial System, that system is wholly responsible for that bad policy.

It is equally bad policy to deprive wage-earners of ample opportunities to earn wages through a destructive Financial System which indirectly but actually **organizes** unemployment.

This great Banker is not devoid of sympathy; in announcing the profit of the Bank for the year at nearly £2,500,000, he states:

> "Everyone is agreed that taxation of the poor on such a scale as to deprive them of the means of obtaining the necessaries of life is morally wrong."

In High Finance, therefore, it is morally right to stop just short of killing the poor.

Finally, in Economics, he is not wholly unsound because he deplores eloquently restriction of output by organized labour. But he does not point out that this is the natural response of men who know no better to restriction of employment by organized Finance through contraction and misdirection of credit.

Still another great Banker,[1] in announcing profits for the year which exceed £2,000,000, states:

> "To-day world trade has passed the stage of primitive exchange of the bare necessaries of life, and barter is, for all practical purposes, a thing of the past."

But surely there can be no exchange that is not barter, i.e.

[1] Mr. F. C. Goodenough, Chairman of Barclays Bank, at the Annual General Meeting held at the Cannon Street Hotel on January 25th, 1922.

barter of which the modern financial system has taken control by virtue of its methods of creating and transferring credits ? He continues :

> " Every portion of the world's population must be able to produce and to consume, and any check or interruption anywhere in the continuity of production and consumption throws out of gear the whole Industrial machine."

That is true. Every expansion and contraction of credit which is regulated by undue discrimination under our destructive financial system throws out of gear the whole Industrial machine.

This great Banker states :

> " It is no longer possible to separate the world of Industry into compartments and to expect that there can be prosperity in one direction whilst there is poverty in another."

However, the profits of his well-managed Bank prove that this principle does not apply to Finance.

So have spoken the Prime Ministers of the Unofficial Government of the country, the mouthpieces through whom Credit (not money) talks. It is by the controllers of the financial machinery of which they hold the levers that Business is started, stopped, and directed along the special channels in which it is at any time active. It is by them that policies of authorized governments are rendered practical, whether civil, military, religious, commercial, or social. It is they who are the government of the country in fact though not in name, the government *de facto* though not *de jure*, the really privileged class which controls and reserves for special, not general, distribution the gifts and liberties of the unrivalled British Constitution.

As Trustees and authorized Representatives of the interests of every individual, are the Lords Spiritual and Temporal and Members of the Commons going to establish

the Law of Financial Liberty in time to save the National Life?

The rights and duties under the law would concern Legal Tender, Banking, Credit, and Production. The only new principle that would be involved is the converse of an old one.

The old one is that Banking Machinery uses existing Productive Machinery for the creation of credit on sound lines.

The new one is that existing Productive Machinery may use Banking Machinery for the creation of credit on sound lines: with the proviso, in the interests of the people generally, that the credit so created shall be used wholly for Productive purposes.

A NEW LAW OF FINANCIAL LIBERTY ALONE CAN SAVE THE COUNTRY

The Railway figures hereunder have been prepared after many weeks of patient research, and the other figures have been checked and approved, by a fully qualified Chartered Accountant.

THE claim has been made that Statesmanship saved the country after the Napoleonic Wars and that Statesmanship can save it again in the "similar conditions of to-day."

Not Statesmanship, however, but the effects of the new and exclusively British Steam Engine applied to the machinery of Industry and Land and Water Transport saved the country then.

Still, the present conditions are not similar, but materially different, through the further operation of Compound Interest for more than One Hundred Years! —e.g., £1 per annum at 5 per cent. compound interest is raised in 100 years to £2,610 by Industry, which then must provide a yearly income on that sum.

During this time the Financial Machine, or the Mechanism of Credit Transference, has been used freely in facilitating the creation of this Interest upon Interest, or Compound Interest, and for the conversion of it into Capital.

There are only two ways of escape from the havoc this and the new War Debt have wrought:

1. Repudiation of Liabilities and Confiscation

of Property on a National Scale, with inevitable Bolshevik consequences:

2. The particularized use of the Financial Machine for the creation of Credit-Capital upon real Capital, and for the conversion of this Credit-Capital into real Capital, i.e. Machinery of Production.

There is impending a Financial and Industrial Cataclysm which nothing is being done to avert.

The agitation to balance the Fiscal Budget reminds one of farmyard cackle oblivious of thunderbolts to fall.

Before the War the financial system of our National Economic Structure, weighted with long accumulation of ever-increasing charges, threatened to break that structure down; millions of people were living always on the verge of starvation.

The crumbling edifice might have stood, however, for another fifty years. **But War Finance has accelerated the crisis.** This cannot be side-tracked. The Economy Campaign evades the vital problem, **how to bear the burdens that must remain.**

Besides, however expedient, for the moment, for budgetary purposes, the "Geddes Cuts" may be, they are cuts at the throat of the Nation in so far as they will reduce the national defences below pre-war level and leave no organization capable of sudden, rapid, and enormous development when the real settlement of Middle and Eastern Europe begins. This is so whether Great Britain is to participate in that settlement or not. The kind of settlement has been indicated. Driftwood shows the direction and strength of the current. Thus the plea for Universal Peace, the League of Nations Crusade, General and Sectional International Conferences, demands for vague Pacts and definite Alliances, betray very general if only sub-conscious recognition

by statesmen that such a settlement is to be made: **not a spiritual, moral, verbal, or paper settlement, not a sound economic settlement, not a settlement induced by any fear that disarmament can impose, but a territorial settlement by physical force.**

For this minor reason and other major reasons our Economic Structure cannot shed the bulk of its burdens, either public or private; but the Structure can be strengthened and enlarged.

The War added a debt of £7,500,000,000. The service of this debt, including redemption by 1 per cent. per annum accumulating without interest thereon for 100 years, until the capital sum could be repaid, interest on the capital sum being paid meanwhile at the rate of 5 per cent. per annum, would impose a total burden of £45,000,000,000. But the proposer of this method would be accounted foolish, although this method is closely related to almost the only method known or possible to small borrowers.

The Government, as representing the general taxpayer, in order, one may assume, to avoid the full incidence of this load of debt and interest, transfers a large part of the liability for the debt to productive industry alone, by invoking the aid of Compound Interest, or Interest upon Interest, as earned by Industry.

Thus, if a Government is reducing the 5 per cent. debt by 1 per cent. redemption, it provides £450,000,000 per annum for 36½ years, or £16,425,000,000, and so **seemingly** clears off the debt in a comparatively short period for little more than a third of £45,000,000,000.

The amount so paid in interest is £13,687,500,000, and that paid in redemption is £2,737,500,000.

When the latter, or smaller, sum is used to repay £7,500,000,000, **it is clear that the difference, £4,762,500,000, has come from somewhere else.** It has, in fact, come from a direct but secret tax on productive

industry in a manner which imposes a burden thereon for all time. It makes the Government aggravate a principle the cumulative effects of which are breaking the nation and the exactions of which would far exceed £45,000,000,000 if industry could have survived instead of having been crushed by the burden.

This is how the system works.

Just as the annual £75,000,000 (or 1 p.c.) is invested to produce in 36½ years £7,500,000,000, so a large proportion of the annual interest of £375,000,000 also paid is invested in productive industry to earn its interest upon interest.

Assume that half, or £187,500,000, is so invested annually to earn 5 p.c.

In 36½ years this becomes . . .	£18,564,356,435
The other half of the interest paid but not so invested amounted to . . .	£6,843,750,000
The redeemed debt amounts to:	
From Taxation	£2,737,500,000
From Compound Interest . . .	£4,762,500,000
Making a total of	£32,908,106,435

£25,000,000,000 of this sum has probably accrued to fairly well-to-do **investors**, whose aim is to draw a return thereon from Industry.

Thenceforward efforts would be made to invest at least half of 5 per cent of that sum, viz. £625,000,000 per annum, at Compound Interest, and in that way to extract from productive Industry in a further 36½ years the overwhelming total of £61,881,188,110; and so on *ad infinitum*.

It is not permissible to say that foreign investment places the burden of compound interest on the foreign producer. Such investments are made in forms like that of Textile Machinery, of which a Banker recently complained. That form creates ultimate unemployment at home. The return upon foreign investment comes in food which destroys

home agriculture or in such raw materials as limit the wage-earners' choice of employment. Hence foreign investment makes the home burden merely **different.**

Finance claims to promote Industry. It should do so. But the Railway instance below shows how undiluted Compound Interest Finance checks and stops it. Compound Interest Investment counterbalanced by no producing privileges is Dead-Hand Finance. Dead-Hand Finance does not promote Industry: it destroys it. There was enough Industry in the clutch of the dead hand of finance before the War.

Take the Case of the Railways.

Railway Debentures and comparatively negligible loans amount to £360,752,996. For 70 years, from January, 1852–1922, the simple interest payable thereon (interest has been in certain cases in arrear) amounted to £597,485,389. This obligation incurred by the Railways in connection with their debt of £360,752,996 has not redeemed that debt, which remains an unmoved and unmovable charge for all time: although most of it has done its work, and of much of the work done by it, obliterated by obsolescence and renewals, not a trace remains.

Assuming half the annual interest has been consumed annually and the remaining half has been reinvested annually, to earn compound interest from productive industry at 5 per cent per annum during the past 70 years, the half invested, plus its income at 31st December, 1921, **had become £1,689,921,571, of which £298,742,694 had been taken from the Railways, and £1,391,178,877 from industries of other kinds.**

That sum arising from this system of investment applied in the Railway industry alone is an excessive burden on Industry, not being extra Capital provided, but being Interest earned on Capital now treated as Capital and earning Interest.

There is at present no provision in the financial system for escape from these ever-winding, ever-tightening coils.

It is not an excuse to say that this pseudo-capital benefited the community by the creation of other industries and employment. These could have come much earlier than from being begotten of Railway profits **alone.** Had the initial Railway Debenture Capital been forced into new investments as soon as it had done its work of establishing the railways, instead of being allowed to fasten like a leech upon the railways to hold back the growth of other industries and further employment, until accumulations of interest alone were available, earlier development would have resulted on a greater scale. The whole £360,752,996 would have been forced into these activities without leaving an onerous charge behind, and would have helped to create more traffic for Railways thus relieved of their heaviest non-productive standing charge.

In criticism of this it may be contended by orthodox Finance that the capital sum as well as interest has been applied already in economic developments, possibly more than once, although the debenture charge survives, through the readiness of bankers to make loans on the security of railway debentures. If so this only points to another phase of the question. **It emphasizes how Credit-Capital has already been created by the Financial machine for conversion into real capital, but created by Bankers, not by the Railways, and created in the interests of moneylenders to the Railways rather than in the interests of the Railways as such.** This shows that the proposed right of the Railway companies as such to be allowed to use the Financial Machine for the creation of Credit-Capital in the interests of the Railways only eliminates from what is being indirectly done already **the national menace of lending** mainly or solely **to moneylenders.** The discrimination in favour of Railway Debentures (and

some other securities) would not have so much scope if the Railways were able to pay them off. **This would render it more difficult for International Finance to concentrate world-power in the hands of the few people and institutions whose resources enable them to get complete control of the particular securities so favoured, and whose possession of those securities is the open sesame to the use of all the general credit that is created, as well as of the collected special credits of every community.** The limited forms of Industry which the Few can control are injurious. They are the direct cause of the paltry use made of vast numbers of wage-earners who, in the general interest, should be otherwise engaged. As to Bankers' profits on such loans, a change which makes direct or other indirect obligations as safe as Railway Debentures will leave the Banks ample scope for legitimate loans, even if the purposes of these loans are more varied. Apart from this, the profits of Banks would be increased by facilities provided for the greater interchange of Products.

The weight of War Finance added on this uncountered compound interest principle, to the total of like pre-war accumulations upon all industries, is now rapidly breaking down the entire supporting structure, in the collapse of which not only Industry, but Finance as well, will be involved.

> But assume that the Credit-Capital suggested above had been available on the basis of the Right of Railways to create it on their property in the form of a Production Loan equivalent to half the gold value of their property.
>
> Assume that the Loan had been practicable in January, 1882, forty years ago, redeemable by 50 annual instalments, and had been for an amount of £446,417,661. The whole of the Railway Debt would have been transferred to the Credit of its

owners in the Banks out of the Production Loan, for investment as those owners might direct, and the search for an income from it would have made things hum.

How would the Railways themselves have stood to-day, at 31st December, 1921?

The Present Position is:

Railway Companies during the 40 years have paid in interest . . .	£439,157,800
Whilst they have in Loans and Debentures outstanding	360,752,996
	£799,910,796

BUT under the Production Loans System, during the 40 years, the Railway Companies would have PAID:

5 per Cent. Guarantee Fee to Treasury .		£22,320,883
40 instalments in redemption of Loan .		357,134,129
To Banks for accounting charges . .		91,515,608
		£470,970,620
The Liability for the balance of the Loan would be	£89,283,532	
And for its accounting	22,320,880	
		111,604,412
		£582,575,032
Leaving a balance to the good of .		217,335,764
		£799,910,796

Not only would the financial position of the Railways have been better by £217,335,764, but the annual payments of the remaining 10 instalments of the Production Loan plus the annual payments to the Banks of £2,232,088 (being together £11,160,441) would be £2,932,415 less than the

annual amount that is now being paid in interest alone. **Moreover, the former would in 10 years have wiped out the entire burden, whilst the latter is not reducing it by a penny.**

With the Production Loans System still on the Statute Book, the comfortable position which the Railway Companies would be in at this point for any necessary developments must be apparent.

The scope for Traffic, with the system applied throughout all Productive Industry, may readily be conceived.

How easily efficiency of service at low rates might be achieved, and yet disputes with Railwaymen avoided, needs no elucidation.

In conclusion, let there be no mistake! It is now or never. Financial Liberty will lead out of chaos to order and prosperity; and the way to Financial Liberty is through a system of Production Loans based on a right vested in Productive Machinery, regulated by gold values in terms of sound Legal Tender, and applied wholly in increasing the Productive capacity of the country, in a manner that will give English Money the greatest meed of purchasing power of any money in the world.

ADDRESS DELIVERED TO THE ENTERTAINMENT NATIONAL INDUSTRIAL COUNCIL

By the Chairman, SIR OSWALD STOLL

March 18th, 1921

GENTLEMEN,—I do not propose to make any statement upon the work of the Council for the past year. The Secretary has prepared a very full and interesting report upon it, and the financial position will be dealt with by the Treasurer.

I am afraid I may bore you with what I have to say. Still, it has reference to the prosperity of our Industry and that must be of interest to every Member of this Council.

Most of us feel that our business is drifting, and that many cinemas and theatres not well favoured by circumstances may soon be on the rocks.

Though our anxiety about Entertainments Duty is naturally increasing, yet we found that when the people were prosperous, Entertainments Duty was quite compatible with record receipts.

From this it would seem that the prosperity of our public is of even more importance to us than the abolition of Entertainments Duty.

Our public, that is the large section of the general public which attends places of entertainment, consists no doubt of many people with more or less assured incomes, but mainly it consists of wage-earners. The prosperity of

wage-earners depends on employment. It is to live in a fool's paradise to believe, or to act as if one believed, that their prosperity depends upon doles.

Doles cannot be continued indefinitely, as Industry after Industry breaks down and fewer taxes can be collected.

Employment, however, the essential thing to wage-earners, is decreasing. Unemployment, its opposite, is increasing—in some places by leaps and bounds—in others by slow degrees under the creeping paralysis in trade that is gradually destroying the means to give employment.

The wholesale offer of German ships for sale by the Government is closing down the shipbuilding industry and injuring all the industries that contribute to shipbuilding, thus throwing hundreds of thousands of wage-earners out of work or putting them on short time. Meanwhile, the German shipyards are full of orders for the next three years in order to repair the German shortage of ships.

The gain of those German ships to this country will be paid for by our wage-earners in loss of wages, and by businesses such as ours in loss of business.

The ships should not have been taken from Germany unless the industrial system of this country had been sufficiently changed to ensure to those wage-earners full-time employment of some other kind, which would give them equal wages and tend to make the German ships good freight-earners, instead of a drug in the market.

So much for ships. Now take coal. The insistence upon German deliveries of coal to France, coal for which every German coal-owner and coal-getter is duly paid in full, has thrown a hundred thousand colliers in this country out of employment. Whatever coal France gets under the arrangement will thus be paid for by wage-earners in this country in loss of wages, and again by businesses such as ours in loss of business.

No such arrangement should have been made without

a proper adaptation of our industrial system to this new situation—an adaptation which would have ensured good work and wages for those wage-earners, thus deprived wholly or partly of their means of subsistence.

Those are instances of leaps and bounds in increasing unemployment.

The slow increase of unemployment is due to the chaotic conditions introduced into trade by paper money, making it more and more difficult for buyers to buy and sellers to sell, because prices can never be properly adjusted.

The mal-adjustment is illustrated by the gold in the Bank of England, which covers the Bank of England Notes.

The gold and the paper are supposed to be the equivalent values. Yet the gold could be sold for nearly one-third more than its nominal value in the paper, and the paper could only buy one-third less than its nominal value in gold.

That mal-adjustment in price-values is the creeping paralysis which is gradually destroying trade and employment, and driving wage-earners that can ill be spared to emigration.

The creeping paralysis is forced forward by the insidious restrictions of credit, whereby, in about fifty years, it is hoped to bring gold and paper to par.

Traders suffer from this contraction of credit. Loans called in compel them to realize stocks at heavy losses and go out of business. Prices drop for a time, but supplies cease ; more unemployment follows, and more wage-earners are left without a livelihood.

Wage-earners depend upon employment, employment depends upon trade, and trade depends upon credit. So do other things.

No Government could exist without credit. The votes of credit in the House of Commons are amounts of national credit brought into being by the machinery of banking at

the Bank of England. The Government to-day could not pay its way without such credit. It would have to stop payment.

For the same reason, if credit is denied to many traders, trade slackens as resources peter out and then comes to a standstill. Bankers still give reserves as the reason for restriction of credit, although true reserves have ceased to exist; and here again, I say, such a change should have been provided for by an appropriate change in our industrial system in relation to credit.

If the Government and traders generally, including banks, are dependent on credit, it follows that the individual trader is dependent on credit.

Credit ought to have a solid basis in order to be sound, and that solid basis should be measured in money truly equal to standard gold. Moreover, further credit, with so much about that is not sound, should be applied wholly and solely to productive purposes or to lighten the load of expense on existing production.

With that safeguard, there need be no other limit to the creation of credit for production and employment. But neither the banks nor the Government should have a monopoly in the creation of credit. If the right belongs anywhere, it belongs truly to the productive properties, which are stakes in the country and are the only solid basis on which any sound credit can rest.

If the producers of the country are allowed to create credit free of charge, as bankers create it without cost to themselves, and the producers are given the use of the bankers' machinery at nominal cost, employment in this country will spring up by leaps and bounds without over-competition. Over-competition in any line can be prevented by limiting the credit that might be so applied, and diverting it into new lines.

But over-competition would be naturally limited by

everybody having too much else to do than to waste time in that manner.

Wage-earners would be competed for by many employers, and they would thus earn easily very competitive wages.

But prices would not be too high. They would be lowered by reversion to gold prices; also by the great reduction of interest charges in production; and finally by the necessary application of machinery to take the place of the great shortage of wage-earners; for wage-earners would soon be directors of machinery at high wages or employers in new businesses themselves.

The great powers of production in this country and the high purchasing-power of English money, thus created, would cause traders from all parts of the world, including Central Europe, to find a means of supplying us with what we required in order that they might get claims to English money, which they could spend here to such advantage. We should be made the world's workshop, as surely as the steam engine made us so, after the Napoleonic Wars, but in a better way; for the individual capable of adding to the productive wealth of the country would have a financial liberty which has hitherto been denied him. He would not have to go cap in hand to a few men, but would claim as a national right the financial means to make every step of his progress a means to further progress. The policy of individualism has only failed in this country because through the machinery of credit it has been limited and monopolized by a few individuals. What is wanted is a nation-wide individualism, and then there will be no cries for Communism.

My view in these questions has always been taken from the standpoint of the wage-earners that make up music-hall audiences. It is a view on which the prosperity of wage-earners, and therefore of our industry, now depends.

The old views cannot prevail any longer. When

the National Debt was £700,000,000, National Budgets £200,000,000, and private investment funds on which income had to be provided were much less than now, one-third of the population lived always on the verge of starvation. Now the debt is ten times greater, the Budgets five times greater, and the investment funds much larger! How can production provide all that is consequently required of it unless it is multiplied by many times, not only in quantity, but in kind?

How, unless hundreds of industries are started that did not exist before?

What is the use of merely saying, or even urging, that a collier must produce more when the coal market wants less?

In any case, how could every collier produce five or ten times as much as he did before the War?

The old Industrial System, even if it were working at full pre-war strength, could not bear the load that it now must carry. Such a load must be spread over hundreds more industries, greater in size and more numerous in kind the more it becomes apparent that some of the old industries are only partly required. This new Industrial System is bound to come and with it will come abounding prosperity. But unless we help it along, we shall have a bad time, and perhaps, ruin to face.

Those who are in the hands of bankers need not fear. Bankers would be made richer than ever by the discount business in bills, which would be required to move the wealth of products turned out by new and old productive concerns. All that the bankers would lose would be power; but only that part of their power which is now wholly dangerous.

The machinery for publicity, which this Industry controls, might force public opinion to force Government action.

The scheme might be easily embodied in a Bill which this Council could promote. If this Council could then induce all the other Industrial Councils to adopt it, success would be assured and a great national service would have been performed.

REPORT OF A DEPUTATION TO THE RIGHT HONOURABLE SIR ROBERT HORNE

(*Chancellor of the Exchequer*)

May 6th, 1921

ON THE SUBJECT OF THE ENTERTAINMENTS TAX

THE Deputation consisted of Sir Oswald Stoll and other gentlemen representing the Entertainment Protection Association, Theatrical Managers' Association, Association of Touring Managers, Society of West End Theatre Managers, and Provincial Entertainment Protection Managers' Association.

THE CHANCELLOR: I suppose, Sir Oswald, these gentlemen represent all the Theatrical Associations?

SIR OSWALD STOLL: Yes.

THE CHANCELLOR: Now will you tell us what your particular point is?

SIR OSWALD STOLL: On March 18th last the Entertainments National Industrial Council resolved unanimously: "That this Council presses for the entire removal of the Entertainments Tax which constitutes a discrimination against one branch of industry and a tax on the amusements of the people which this Industry is unable to bear." As the interests that constitute this Industry are as divergent as the tastes and the pecuniary means of a public nearly

as large as the nation itself, and as all of them are affected by the Tax, no unanimity can be obtained on the Council on this subject except that of disapproval. The Tax is a war impost which it was understood, rightly or wrongly, would end with the war. Its continuance now arouses the fear that it is intended to be continued, if possible, as long as the financial effects of the war. That new aspect of the question was not foreshadowed when the Tax was imposed; and it involves afterthoughts and opportunism in National Finance which breed discontent and hardship in the Industry. It does not seem wise, in times like these, to foster any idea that bad faith is good policy. The Government may have grounds for a belief that the Tax is a good one. It is true that the public may pay the Tax or not as they choose; also that it has exceeded expectations as a producer of revenue, and that the Industry appears to have prospered under it. The Industry, however, has prospered not because of the Tax in any direct sense, but in spite of it. The conditions of the war helped the Industry. Amusements became an absolute necessity in relief of the strain put upon the people by almost incessant work at the highest possible pressure, coupled with anxiety over the men in the trenches and the comings and goings of near relatives and friends. Men, women and even children were earning plenty of money; and they spent it freely in seeking this relief and in entertaining friends from the front. They could earn the money because the Government was spending thousands of millions of pounds a year on the war, much of which was turned over many times in an extraordinary velocity of circulation. This was abundant reason for prosperity in our Industry, in spite of Tax, shorter hours, and the limited personal leisure of our customers. The injury done by the Tax hardly counted. The victims felt a moral obligation to keep smiling; or perhaps they made money in other ways. It closed scores of small cinemas,

and so left many people more time to air grievances. But these people soon gravitated to the other, larger theatres and helped to increase prosperity there. These extraordinary conditions were the reason why the yield of the Tax exceeded expectations; and in so far as the yield formed part of the lavish national expenditure on war-time wages, the Tax was itself one of the causes that contributed to the excess.

But whether the Tax was good or bad according to past conditions, it is a bad Tax now. The people could and would pay it when they were prosperous; and until November last the Industry had, I believe, little reason to complain of it. But now prosperity of the masses of the people is falling at an alarming rate; and was doing so even before the Coal trouble began. It was falling, as it might have been expected to fall, when war-time rates of Government expenditure had ceased, and preparations had been completed for a peace-time prosperity that could not be realized. Notwithstanding that a few theatres were doing even better than before, the tendency of theatres generally was heavily downwards. The Tax cannot be paid in bad times because the people cannot afford it. If the Treasury is going to retain this Tax until the yield from theatres, as distinct from outdoor sports, shows a serious fall, then the Treasury intends to pauperize, and to a large extent destroy, our Industry. Roughly speaking, for every twopence less received by the Treasury, the Industry will lose a shilling. In principle I am not opposed to the Tax in prosperous times. It is the antithesis to the single Tax on production at its source proposed by the late Henry George. It is a Tax collected through the retailer on the sale of finished products. It does not begin until production is ended. Such a tax applied all round, in conditions of general prosperity, might easily prove to be the ideal Single Tax. But it would have to be applied all round; and the times would have to be prosperous.

People would not mind paying the Tax then, any more than they minded paying the Entertainments Tax when they had the money to spare. But they cannot afford it now; and our Industry cannot afford to be singled out for it as distinct from other industries. Our Industry bears all the normal taxes as it is. In other countries, where amusements are specially taxed, they are also heavily subsidized. But even the subsidies do not make the industry prosperous. It never becomes national in scope; and in the main degenerates into institutions pandering to the vices of the vicious sections of the people. One need not look further than the other side of the English Channel for proof of that. This Tax is now being paid in our Industry on many theatres making heavy losses. It is being paid on theatres where it amounts to ten times the profits; and the profits are subject to Income Tax and other taxes and rates far higher than ever before. These taxes are like guns furnished by industries when they were prosperous now being turned upon those industries to destroy them.

Other members of the Deputation will address you on the inequalities of the Tax where the audiences are markedly different, which make the audiences of the low-priced theatres pay as high a rate of tax as 28 per cent., whilst audiences of high-priced theatres may pay as low a rate as 15 per cent. They will prove that the specific rates for specific prices prevent them from arranging their admission prices in the multiples of pence that it is convenient for their customers to pay. These are cases of unfairness and difficulty which perplex, inconvenience, and injure both the public and the practical business manager. Other members of the Deputation may ask for an allowance for collection of the Tax, and name a moderate percentage of the yield as a rebate to compensate them for the time, trouble, and special expenditure. They are ready to catch even at straws. In my opinion, however, they show the Treasury the way to

get rid of the Tax. I suggest that substantial allowances should be made: 50 per cent. forthwith; 75 per cent. next year; and then the abandonment of the Tax altogether. Where the theatres have need to give the public the benefit of the 50 per cent. reduction, they should be free to do so. During next year all the theatres should be compelled to give the public the full benefit of the 75 per cent. reduction, except where it became necessary to round off fractional parts. Afterwards the Tax would cease.

The Industry that we represent is a tranquillizing force in the present disturbed state of the country. The family gathering at the local theatre or cinema, where the aim of the management is merely to provide agreeable entertainment, is far more expedient than gatherings of men at street corners and in clubs listening to sedition. Therefore, in the bad times that we have already entered upon, and that lie before us, we think that the Government should make it as easy as possible for the great mass of the people to spend their spare time in our theatres; and that to keep them out by taxing them for attending is bad for the Industry, bad for the people, and bad for the country.

In addition, proprietors have to provide at their own cost, according to the annual amount of tax collected, substantial guarantees in connection with certified houses for insuring payment to the Government of the tax collected. It is true that the proprietors have the use for the best part of one week of the money collected for the Government, but this use does not repay any more in the average what the proprietor has to pay to his bankers in the way of commission in respect of such tax turnover. This Association considers that if 10 per cent. were to be deducted from the remittance due in respect of Entertainment Duty this would be reasonable compensation for the additional expense and trouble necessitated by the collection of the tax.

OTHER MEMBERS OF THE DEPUTATION HAVING ADDRESSED THE CHANCELLOR,

THE CHANCELLOR OF THE EXCHEQUER: Well, Gentlemen, I am grateful to you for putting the points so clearly to me. I quite realize the difficulties from which you are suffering. Unfortunately, the whole country is suffering. I never see a Deputation here at all that does not tell me that its trade is being badly hit by the present taxation. I see Deputations of manufacturers who tell me that they cannot bear the burden of taxation any longer, and that we are abstracting from them the necessary finance that they want to carry on their business. I learn from every body of people, middle-class people and professional people, who have never had war bonuses, who have had to carry on during the war, hit on every side, bearing burdens without any extra revenues, that they must go under if the present burden of taxation is to continue. Every class of the public at the present time is suffering from heavy burdens, and the only thing one can say about it is, that we should have been suffering heavier burdens if we had been beaten in the war. That is the only consolation that there is for anybody. Undoubtedly, we are very hard hit. It is the most troublesome thing in the world to find the necessary revenue to carry the country on, but it must be found or we go under; that is perfectly certain. The miners to-day are bitterly complaining because their wages are coming down below what they call the figures which the cost of living would justify, but the money is not in the industry; they acknowledge it is not there. They say that the rest of the taxpayers ought to pay it. Their demand is £36,000,000 a year. They say they will not have their wages reduced, although the money is not in the industry to provide them. And so it goes on through the whole gamut of public life. The only thing you can say is, we have to have patience. We are passing through a very difficult time, I think the most

difficult time in our industry. You find after all wars similar conditions, but never anything so bad. After the Napoleonic Wars there was a time of prosperity, such as we had, for about two years, and then there was a slump, just as sudden and as difficult as we have had, and then the old country turned round somehow after a year or two, and entered upon a great period of prosperity.

SIR OSWALD STOLL: That was due to the steam engine.

THE CHANCELLOR OF THE EXCHEQUER: It may be that some great discovery or some invention will create new wealth for the world, as the result of necessity which is said to be the mother of invention.

SIR OSWALD STOLL: They had it; it was there and they developed it. We have not got it.

THE CHANCELLOR OF THE EXCHEQUER: Let us hope that something will develop. Who knows? But in any case we can only trust to the future and hope and work harder, harder than we have ever done before. It would be difficult for some of us to work harder than we have ever done before, because some of us work every waking hour of our lives; but some people do not understand that we can only get round the corner by hard work. There is an extraordinary belief that somehow we ought to be more prosperous now than before the war, that by some freak our standard of living should be better than before the war. You have only to reflect for a moment to see the impossibility of it. Fifty thousand million pounds' worth of the world's wealth has been blown away during the last five years, and about five million of the best lives in Europe have been destroyed. How in Heaven's name could we expect to be better off? We must be worse off, every one of us.

SIR OSWALD STOLL: The wealth can be replaced.

THE CHANCELLOR OF THE EXCHEQUER: Gentlemen, do bear with the Government under these difficult circumstances. I quite agree that you can benefit the people by

making enjoyment easier for them. I agree with every word that Sir Oswald Stoll so eloquently said about the mollifying effect upon people's minds in times of stress if they have good entertainment at a cheap rate; I agree with every word of that. One of the reasons why we have been anxious to keep the theatres going at a difficult time like this is because it does assuage bitter feelings, probably more than anything else. I agree with every word of that. I agree also with manufacturers who tell me that they are so pinched by the amount of taxation that they cannot find capital for new enterprises or money for developing their old ones. I wish we could give them back money for them to use, but we have not got it. So you go from one thing to the other. It is not from any lack of sympathy with you. So far as I am concerned I would mitigate this tax at the earliest possible moment that it was possible to do so. It is yielding good revenue at the present time. It yielded something like £11,000,000. We calculate, rightly or wrongly, that the proposal of a flat-rate tax would take away about a third of that amount. I do not know whether that is a figure which you could say is more than an estimate, but that it what we estimate it at. It would be a matter of great difficulty—because you have heard of Mr. A——'s position—unless you differentiated between different classes of theatres and said there shall be a flat rate up to a ticket of 3*s.*; you might be able to carry it out under those circumstances; but I am certain you could not apply it indiscriminately to the higher-class theatres.

Sir Oswald Stoll: Impossible. We have agreed upon that.

The Chancellor of the Exchequer: The best point that has been made, in a way—I have not thought about it, it is a new idea to me, and it is obvious that one would have to think about it—is this: I am a theatre-goer when I can get the chance, but I am so hard pressed that I do not often

get the chance. I must say that at any time when I have been to the theatre recently I have not been at one which has not been full. Let us take the period of depression which we have had. During that time I have not been to any theatre which has not been full. That is honest.

SIR OSWALD STOLL: How long is that?

THE CHANCELLOR OF THE EXCHEQUER: I do not go frequently to the theatre, because I have not the time or the opportunity. It may be I have gone to the most popular shows. That has been my experience. I am Member for a constituency, part of which is of the most hard-up of working-class types, and when I go there—perhaps I am driving through—I see the cinema shows with long queues of people standing outside waiting for the second performance to begin, and I am told that large crowds have been at the first. It is very curious. I asked to see how we stood in this period of depression as compared with last year, for example, when things were better. The first three months of this year have shown a bigger yield than the first three months of last year.

SIR OSWALD STOLL: From indoor theatres?

THE CHANCELLOR OF THE EXCHEQUER: That is a fair criticism to make. That is one thing I am going to ask about. I cannot say whether it is outside entertainments or inside. I shall make some inquiry about that. That is a fair criticism to make. It is undoubtedly a good point that the Tax may have prevented you raising your prices in the way in which the producer of nearly every article has raised his price as against the public, and to that extent it has made you a sufferer from the Tax. In spite of the fact that your audiences have been kept up, nevertheless it is quite possible that your revenue has been affected while your costs have gone up, and that you could not increase your charges because the Tax was an impediment to a raising of the charges. I appreciate that point of view.

There it is. I cannot afford to give up this source of revenue. I have nothing to put in its place. Just before you came in I had a Deputation from some people with regard to sugar. There everybody wants a remission of taxation. You would want to give a remission of taxation with regard to sugar if you could, but I cannot afford it; I do not see my way to do it. Will you please believe me, that our difficulties in the present year are too great to permit my doing what you ask me to do. If I could see my way of alleviating it I would try. I have every sympathy with the point of view you have put forward, that it is of the greatest benefit to the State and the public to have good entertainment at cheap prices. I do not agree with many of the deductions made by Mr. A—— with regard to the change of form of present plays; I do not think it is due to the different form, but to a different taste on the part of the public, suffering from reaction. They do not want things which they have to worry about, or think hard about, or take much trouble to follow; they want things easy to grasp and excite their imagination for the moment.

Sir Oswald Stoll: This is a Tax on receipts if losses are made, and it is not the same as any other trader who pays tax on his profits and not if he makes a loss.

The Chancellor: I follow the point of that. Supposing you were to tax it on receipts as was suggested, it depends entirely on what you charge. Supposing you put 15 per cent. on receipts, there would be as much money brought into the Exchequer as we are getting at present.

Sir Oswald Stoll: Twenty per cent., I should think.

The Chancellor of the Exchequer: I do not think you would find the burden of that any easier.

A Member: May I explain my difficulty? Two or three theatres that I am connected with in the West End of London are losing £200 or £300 a week, and at the same

time they have to pay £200 or £250 a week to the revenue. How can they be carried on?

THE CHANCELLOR OF THE EXCHEQUER: Long before the war and long before there was any Entertainment Tax there were plays which failed. I have known many. I have known people who ran for weeks at a loss. It is not quite fair to say that because these theatres are suffering a loss they are suffering it by reason of the Tax. They may be suffering it entirely from the fact that they are not supplying a play that the public wants to go to particularly, or they may be running it too extravagantly, or for some other reason. Even the greatest actor-managers have lost a lot of money in their time, as we know. I do not think that is quite a fair criticism. I can understand that there may be circumstances in which it was true. I agree with Mr. A——'s point, that you may have a theatre running at a loss because you cannot raise your prices because of the Tax. That is a good point, but it does not follow necessarily that in the cases you are mentioning they are paying the Tax on their losses. They are not. They may very well be losing because of the rotten character of the play, or because the public does not like to look at that particular play, or for some other reason.

THE MEMBER: My point is this. We are taking the same amount of money as we did before the war, and on that money we are taking we have to pay so much to the revenue, and a great deal more for working expenses; therefore on the same receipts, because of the increased expenses, and the Tax, whereas we should have made money we are losing it.

THE CHANCELLOR OF THE EXCHEQUER: That does not follow necessarily. You may be losing, not because of the Tax, but because of your heavy expenses. Your charges might be bigger than they ought to be, or you might be staging the performances more expensively.

A MEMBER: There are the Unions to be considered.

THE CHANCELLOR OF THE EXCHEQUER: Yes, there is the wages question.

THE MEMBER: That is the trouble.

THE CHANCELLOR OF THE EXCHEQUER: The wages question is facing every industry. Many an industry is carrying on at a loss and will be until it gets its costs down.

THE MEMBER: My point is this. Whilst we have to meet the extra cost of labour and the Tax, other industries have not. We have two difficulties in front of us which other industries have not. We have the increased cost of labour to provide for, which every industry has, but in addition we also have the Entertainment Duty, which is really a direct tax on the theatre proprietor.

THE CHANCELLOR OF THE EXCHEQUER: I could explode your point in some instances. Leaving aside the labour point, supposing I stood at the door of your theatre and collected money from each of the people who went in, if I could afford the time to see them all, and walked away with the money each night, you would not come forward and say I was taxing you on your losses at all. You would be suffering your loss because you were not getting sufficient receipts to pay your expenses; that is what it would be. You would not say there was any direct tax upon you. If I met all the people at the door through which they had to go, you would not say there was any direct tax upon you, and yet that is how it is done in effect.

SIR OSWALD STOLL: If you thought the industry was precarious before the Tax was imposed, and it is still more precarious after the Tax, surely on a precarious industry to impose a tax on everybody who patronizes it does us an injury?

THE CHANCELLOR OF THE EXCHEQUER: It does not if people still go.

A MEMBER: But they do not. I am a family man. I

have to take six to the theatre. I used to take stalls. I do not take stalls now, I take upper circles. The theatre loses the money. The fallacy with regard to this Tax is, you think the public pay it. They do not; we pay it.

THE CHANCELLOR OF THE EXCHEQUER: I think that is all I can say, Gentlemen. I have another Deputation waiting to see me.

SIR OSWALD STOLL: Do you express any wish with regard to the Press?

THE CHANCELLOR OF THE EXCHEQUER: I have treated this as an informal matter.

SIR OSWALD STOLL: You prefer that nothing should go to the Press?

THE CHANCELLOR OF THE EXCHEQUER: That is so. It is far better that we should discuss these matters in a friendly spirit round the table instead of making set speeches at each other. Do you not think so? That is how I prefer to conduct them. I should prefer that nothing went out to the Press.

SIR OSWALD STOLL: Very well. On behalf of the Deputation, will you allow me to thank you for having received us?

THE CHANCELLOR OF THE EXCHEQUER: I am glad to have seen you. I hope at some time I shall be able to give you an answer which will be more gratifying to you.

(The Deputation then withdrew.)

AN ADDRESS GIVEN BY SIR OSWALD STOLL

August 1st, 1922

TO MEMBERS OF THE HOUSE OF COMMONS

On the Proposed

PRODUCTION LOANS BILL

MR. CHAIRMAN AND GENTLEMEN,—I shall be gratified if my words should prove worthy of my distinguished company. I wish to state some reasons for the Bill of which I took the liberty of sending you a memorandum.[1]

The principle of the Bill is this:

The Government as a war necessity borrowed millions, phrased in money, at interest, in the cause of *destruction.* Economic disease is the consequence. In order to counteract this, the Government should now do what is tantamount to *lending* millions, also phrased in money, *without* interest, and in the *opposite* cause of *construction.*

The millions must be lent in the form of Banking Credit guaranteed by the Treasury. The separate amounts must be granted in respect of, and collaterally secured by, existing productive properties, surplus material products of which can be used to repay the charge. A specific amount lent must not exceed half of the financial equation of the particular property. The specific amount lent must be treated as a *hitherto unrecognized product* of such property,

[1] The memorandum is printed in full on page 104

which the owner, of course, should not have to pay interest for.

A vital condition of every loan must be, that it shall be utilized for adding, in approved ways, its full equivalent to the productive assets of the country.

This scheme can be effected only by means of the Bill, and the Gold Standard is at the *root* of the Bill. The significance of the Gold Standard is being recognized, but its character is not well understood. The Gold Standard is *necessary* to any extensive economic system. The Bill and its corollaries are *necessary* to the restoration of the Gold Standard.

With the Gold Standard restored in this country there would then be one country where reconstruction and new construction in an economic sense could begin.

The economic standard of value which natural selection has provided for the use of mankind is *pure gold.* Nations may leave the Gold Standard, but the Gold Standard never leaves nations. A nation either conforms to this immutable law or declines and falls. A nation creates Legal Tender. That is a standard measure of gold as the embodiment of value; as sentences are unavoidably a standard measure of language as the embodiment of speech. It is a standard measure of nothing else. To the extent that Legal Tender deviates from its properly inseparable ingredient gold, the nation that adopts and enforces it *leaves* the Gold Standard.

Some people assume that the Gold Standard can be pushed aside or displaced. Present civilization may knock itself to pieces in fruitless efforts to displace gold in this capacity, but it will only give place to a new civilization more obedient to immutable laws and therefore less fit for Bedlam!

Scarcity and abundance of commodities and services, in relation to supply and effective demand, may regulate temporary prices and temporize with values; but the

standard of value underlying both sides of this equation, —prices on the one hand and commodities on the other, —is pure gold; no matter how the connection may be obscured by the mechanism of modern trade and debased Legal Tender.

In the earliest times, pieces of gold were weighed and exchanged for commodities or services, as equivalents, long before the modern idea of money entered the mind of mankind. Where there was no gold, other commodities were used in its stead; but these commodities were those that had become, by various means, widely known to possess a quantified relationship to pure gold. Silver may be cited as a pre-eminent instance. Relationships of many things to pure gold, and through that to one another, became familiar and comparatively constant. A weight of gold stood for each relationship. This unlimited divisibility of gold is one of its economic virtues.

Special conceptions of value were based on these weights of pure gold, which thus became the pioneers of prices.

In those early days the more numerous the things so related became, the more they helped to regulate and facilitate direct exchanges. In that way direct barter survived at a high state of efficiency long beyond the period when, according to modern ideas, its complications and maladjustments should have caused it to collapse.

This proved that a standard which was a store, equivalent, and measure of value, equipped by nature for the purpose, is of far greater importance than a medium of exchange as understood or misunderstood to-day. It proved that whilst exchanges could be effected on a world-wide scale, without a Legal Tender medium, they could not have been effected without the natural standard of value.

The practice of carrying pieces of gold and articles made of gold, developed the idea of standard money.

Attempts to debase the metal and cheat in the weight necessitated guaranteed money; and the *climax* of this was the English sovereign. The English sovereign, as Legal Tender, was legally guaranteed to contain a tender of 12 equal parts, made up of 11 parts of pure gold and 1 part of alloy.

It contained the highest percentage of gold that the necessity of hardening for use as coin would allow.

It contained the highest possible approach in coin to the pure Gold Standard. It was truly gold-standard coin, although it was not quite the Gold Standard itself. In American gold money the percentage was lower. It contained 10 parts, of which 9 were pure gold and 1 alloy. Hence our money had an advantage over American money. In our money, other things being equal, prices were lower, and the difference has meant thousands of millions of pounds turned in favour of British Trade and, in addition, the establishment of London as the financial centre of the world.

THE BILL ON LONDON

The general acceptability of the Bill on London made it the real currency of International Trade.

The qualities that gave the Bill that status were derived from the fact that the Bill was a claim to the best Legal Tender Money in the World and, by consequence, a claim to a degree of purchasing power as relatively high as it was relatively sure.

Although prices are and must be quoted in Legal Tender, that does not make Legal Tender a standard measure of quantities and qualities of commodities *other* than gold.

Prices in modern countries are formed by bargaining, competition, and price rings; but, subject to these factors, the inherent value or identity with gold of the Legal Tender Money, in which the prices are stated, gives the advantage

of the *lowest* price to the country which uses the Legal Tender of the *highest* inherent value. This regulates the prices in each country, *for the home trade.*

Foreign trade comes later.

The country with the best money and, therefore, the lowest prices (other things being equal) attracts population, visitors, and traders, who cause exports of first one thing and then another to the countries they have come from, and promote contra imports in exchange for such exports. They create foreign trade. All the articles of that foreign trade, however, are priced in the first instance in the local Legal Tender. The fixing of prices thus originally precedes the idea of transactions involving rates of exchange of one Money into another. Hence, inasmuch as our Legal Tender money of $\frac{11}{12}$ths gold was always $\frac{1}{660}$th higher in pure gold value than $\frac{9}{10}$ths gold money, in every transaction in which prices were quoted, our prices, other things being equal, could be $\frac{1}{660}$th lower, or our profit correspondingly higher.

This aspect of our gold money shows why a decimal system of money would be a retrograde movement for this country. Tenths would tend inevitably to carry our gold monetary system farther away from the gold standard than this advantage permits. That will remain true as long as $\frac{1}{10}$th of the same thing remains greater than $\frac{1}{12}$th.

It is known that Foreign Trade can be carried on successfully with one fixed basis of exchange if commodities are available. Trade is not caused by stabilizing foreign exchanges in general. Trade may be good, bad, or indifferent with exchanges stabilized. Advocates of general stabilization as a remedy for to-day too often forget that. The direct exchange of one gold money into another, however, does one good thing. It shows the gold standard of value in plain figures, without other commodities, or illegitimate bargaining, or uneconomic competition, or price-ring callousness intervening to obscure the connection.

The fixed basis is the exact amount of gold the respective coins contain: e.g. 113 grains of gold in a sovereign are divided by 23·22 grains of gold in a dollar. Excluding small fractions, the quotient 4·86 or $4·86 cents is the normal rate of American exchange on London.

Any other parity than this pure gold parity is a delusion and a snare. In the search for decisions on this question different interests provide traps for the unwary. The Banker possessed of gold may be content to sacrifice pure gold parity as quantified in pre-war Legal Tender and be willing to accept a smaller quantity of gold for the same nominal parity. It is obvious that the gold he possesses would gain in nominal value thereby.

Bankers who are not possessed of gold, but who have many claims to it, will demur to these claims being settled with a less quantity of gold and will therefore oppose the abandonment of the true gold parity.

The Merchant will *ignore* gold parity and be content if he can, for the moment, regulate, by the purchasing power of different currencies, any deals that are of purely personal interest to himself. He ignores *general economic* interest. The Banker or Financier who operates as such in several countries, and is also a Merchant, may, in his dilemma, face many ways on this question.

The Producer, however, without whose activities the need for Banker and Merchant alike would cease, cannot continue without the standard, store and equivalent on which alone he can ultimately rely, with certainty, to obtain the wherewithal to continue his work of production. The Gold Standard, for him, is the *foundation* on which the world's products are produced for exchange in modern trade. Uncertainty as to this *standard* is fatal to production. It is equal to certainty that the purchasing power of the producer's receipts for his products will fall below what is necessary to reimburse him, causing him *loss* instead of gain

and forcing him into ruinous industrial disputes, penury, or bankruptcy. The proposed Production Loans Bill will restore the essential gold parity between true Gold Standard coin and our Legal Tender Money.

It will do so not only in the interests of Production, (and therefore, of the nation) but also of that vast store of accumulated credit wealth, payment of which is deferred, but which is already charged upon society, as well as of *further* such wealth, to *be* charged upon society if British progress is to continue.

Nowadays, instead of all wealth, other than skill, being stored in gold and material property, it is largely stored in Banking Credit, Government Securities, Paper Money, Mortgages, Debentures, Liens, Annuities, Insurance Policies, and so forth. All these are claims to payment of Legal Tender, on the one hand, and promises to pay Legal Tender, on the other hand. Legal Tender is the money of account of this delicately-poised wealth.

It is the money in which the law enforces the payments, as the New Poor know to their cost.

Now the root of the security of that system of storing wealth, even the root of the system itself, is traceable back to pure gold. Legal Tender should for that reason be *pure gold.* That is the only embodiment of value which has the purchasing power that can be relied upon to have retained its efficiency when the deferred payments are ultimately made.

When that gold constituent is absent, the promises and claims have a doubtful meaning. They may mean little or nothing, according as those persons may determine who are in a position to manipulate the quality of the money of account.

Natural gold, not the financial opportunist, is the scientific safeguard against that manipulation.

The substance of this money of account, this enforce-

able Legal Tender, underlies the maintenance of advanced political societies like our own.

Every operation of everybody's business, every moment of every day, is based on calculations which have been made originally in Legal Tender Money.

When this money is left to respond by a change of identity to every kind of manipulation known to national and international financial institutions, and to the pressure of Governments influenced by their advice or dictation, the overwhelming majority of individuals must become mere shuttlecocks in the game of business, battledored hither and thither until they fall by the wayside, mostly into the gutter!

The highest economic duty of any Government is to safeguard this basis of calculation, this money of account, this enforceable Legal Tender; to reduce to a minimum the possibility of its manipulation and to do so by fixing its identity with the natural product gold.

Mr. Grenfell, in speaking on "Why he won," as quoted in the *Daily Telegraph*, said: "Financial difficulties are world-wide."

I reply: "That is true; but by the scheme of the Production Loans Bill, Great Britain would blaze a trail through those difficulties which all countries in turn could follow."

Mr. Grenfell said: "English Trade cannot recover until the currencies of foreign countries, England's customers, have been restored to some permanent basis."

I reply: "The Bill would provide a permanent basis in the money and the market, only possible in this country, which Great Britain itself would furnish. The currencies of foreign countries will reach a permanent basis in their own denomination when they can. Meanwhile this country cannot hang back. It must act now for its own sake as well as for the sake of those backward countries."

Mr. Grenfell said: "The prosperity of London as the

capital city of England is due to the free markets existing there in every sort of commodity."

I reply: "Of that statement, the Bill would *make* true what is *not true enough* at the present time. London and the whole country must contain free buying and selling centres for everything, and producing centres for many things, all at *lowest world prices*. That is the main object of the Bill."

Mr. Grenfell also said: "But before the merchants and manufacturers of England launch out freely into foreign trade, they must know that the currency in which they sell their goods is fixed and determined."

I reply: "The Bill would fix and determine English currency and that would suffice for all."

Mr. Grenfell referred to "the heavy burden of taxation which was crippling industry." Under the new conditions of the Bill, industry would be too big and strong for our burden of taxation to cripple it.

If Great Britain will provide money of account of the highest possible quality and legislate for standing charges on production of the lowest possible quantity, for which purposes the production loan system of the Bill is necessary, Great Britain will very soon find itself the one market of the world where the interchanges required by *all* the markets of the world will be effected. The industrial and commercial ability of our people will assert itself to produce commodities of a quality high enough, at prices low enough, quoted in a money sound enough, to attract buyers and sellers in abundance from all parts of the world.

The Bill would affect Banking favourably. It would provide Bankers with new sources of revenue. The accounting fee of the credit loan would yield a substantial profit. The account would be idle except when the instalments fell due. The active account of the borrower would be ordinary banking business.

The Banker would derive a considerable revenue from the new discounting of bills. These bills would be numerous and would arise from the moving of the products of the greater machinery of production. The funds for the discount business would consist of the credits provided by the expenditure of the Production Loans.

The situation created by the Bill would alter the principle of banking reserves. In normal times when cash reserves are low, credit is contracted (with consequent depression in trade), in order to restore the reserve ratio. This has not been an unmixed good. When cash reserves are thus raised, the operation in effect tends to "corner" Legal Tender and, while it adds lending power to the banks, it creates at the same time an insistent demand for loans at any price from the industrial community thus deprived of both cash and credit. The Bill would release that community from these recurring crises and the financial community would make larger profits by *always* aiding business than by sometimes squeezing it.

I have heard it said: "There is no Fund for Production Loans." That is not true. All Funds to-day are credit, some sound, some unsound. The Government borrowed thousands of millions for war. These millions consisted of banking credits transferred to the Government. They accumulated by unobstructed circulation. The Government transferred them to suppliers of goods, etc. Suppliers of goods transferred them as loans to the Government. When the huge expenditure of these credits stopped, the power to subscribe to huge loans stopped also.

The Scrip representing the credit transferred to the Government as loans is regarded by its holders as wealth, but by the Government it is regarded as the negation of wealth—a millstone of debt!

The Fund from which the Government must pay its debt will be the financial equation of these concrete values

to be created which will convert the negative into positive wealth; which will constitute the wealth anticipated by the debt and which, until their creation, will compel payment of the debt to be deferred.

This Fund and these values can be created only by the productiveness of which the nation is assumed to be capable.

Nowadays production has fallen far short of even current obligations.

In this crisis the Bill would cause our productiveness and its fund, or financial equation, to rise to the height of all our obligations, including the assurance of prosperity to those of our people who are more the debtors than the creditors. Its economic force would even fertilize the millions of square miles of waste lands which constitute too large a part of the British Empire!

The principle of the Production Loan Fund is merely an extension of that by which we have undertaken to pay our colossal debts. It involves expansion of production and exchange, commensurate with the debts.

The creation of Debt should always be accompanied by the assurance of means of extinguishing it. This principle was not fully observed in the creation of our colossal War Debt. The Bill makes amends for the omission. In course of time it will create extra wealth equal to the debt, and meanwhile, extra products which will ensure redemption.

The Bill would cut the Gordian Knot of the *Country's unfunded debt.* It would enable the debt to be funded on favourable terms. The sums locked up in Treasury Bills, etc., would then be released for industrial and trading purposes.

Alexander Hamilton,—when Secretary of the Treasury for George Washington in the founding of the new national finance and the establishment of the Republic's Credit—described an unfunded debt, such as that of our Treasury Bills, as a "pernicious drain of cash from the channels of productive industry."

Such a policy is not financial health but disease of a malignant type. The Government may know this, but they cannot fund the debt owing to the impossibility of raising an appropriate loan. This Bill would solve the problem and enable the Govermnent to perform what is nothing less than an economic duty. It would also answer those who, in opposition to the Bill, say that investors would have funds thrown back upon their hands which they could not easily place. It is a puerile argument that the collapse of the country should be invited in order to avoid inconvenience to investors who do not want the worry of finding new forms of investment. The argument is puerile because those very investors would go down in the collapse. However, for the time being, they could find refuge in the new Government funds. And when the time came for them to find new investments they would have the privilege of doing what their forbears did who were the original investors and who therefore did the creative work of providing new productive properties which were the foundation upon which this great nation was built.

Without this Bill, instead of his productive power being expanded, the producing individual, on whom so much depends, is being stultified by taxation and standing charges almost to extinction. Under the Bill, however, the standing charges of every producing concern worthy of the name would be materially reduced. Each concern would benefit by the reduction of its own standing charges, and also by the reduction in the standing charges of all those concerns with which it had business relations.

The Bill would alter materially the incidence of Taxation. A great revenue will be required by the Treasury for many years to come, but its incidence would press lightly on the vastly extended production, merchandizing, and banking that the Bill would promote.

During the past few years a sum round about £300,000,000

has been taken from the taxpayer for so-called doles. If the Bill had been in operation during that time, charges, repaid with equivalent credit, would have sought new channels of investment, stirring up at least greater industrial activity than was needed to provide ample and tempting employment for the persons who, instead, have received the dole. No able-bodied Britisher should need a dole. It is the lowest form of dependence. Any policy stands condemned that makes millions of the people paupers! At a time when we require prodigious increases in kinds and quantities of production, we offer to the individual producer the humiliation of mendicancy as a set-off to barriers against individual progress. These barriers have been erected by financial methods, as a consequence of which the few may monopolize the benefits of the Constitution, and the many must conform to limitations and permanent servitudes, or emigrate.

The chief method is to keep the purchasing power of the ordinary individual down. The national purchasing power is large. The bulk of it, however, is kept under control by a few influential groups, who frequently forget the national interest, even when to give free rein to it is necessary for their own salvation.

The calling-in of loans, as a financial policy, has an enormous influence in reducing the purchasing power of the individual. Besides crippling the debtors, it cripples all the activities in which they are connecting links.

When Banks, Insurance Companies, and other financial institutions, scoop up available funds by placing securities on the market, and hold the funds to rebuy the securities more cheaply later on, they reduce the purchasing power of the individual. When the Government blesses the sale of War Savings Certificates, adorning each buyer with a halo of thrift, it reduces the purchasing power of the individual! In that way it actually provides credit for the big groups by forcing, or coaxing, loans from little men.

All taxation on production reduces the purchasing power of the individual by raising the cost of living.

The addition of gold and Bank of England notes to the cover for Treasury notes reduces in several ways the purchasing power of the individual. This is done under the erroneous impression that a process described as a policy of gradual deflation is a sound monetary policy; instead of being a prolongation of the agony of a false and unstable standard of value.

Instead of this policy of gradual impoverishment of the individual, which the magnitude of the figures of post-war finance will not permit to succeed, we need the policy of the Bill, a practical and logical ever-open door to individual progress, a policy of increased individual purchasing power, without inflation and based on sound money and productive credit right, increasing the individual's capacity to purchase, to consume and to produce, to the extent of our economic resources. To sum up: Having regard to post-war conditions, this Bill is essential to the restoration of the Gold Standard; the Gold Standard is essential to Gold Standard Money; Gold Standard Money is essential to sound Legal Tender Money; sound Legal Tender Money, money of account, is essential to a sound monetary system; a sound monetary system is essential to a sound credit system; a sound credit system is essential to sustained production; sustained production is essential to bona-fide merchandizing; bona-fide merchandizing is essential to modern banking; modern banking is essential to the extensive *application* of a sound credit system.

The extensive application of a sound credit system is capable of extending indefinitely the economic operations of our country. That is what Great Britain, Europe, and the Empire require to-day.

MEMORANDUM

on Currency, Credits, Exchanges, and Production, in relation to a policy required by Great Britain for the benefit of itself and many other countries.

The Gold Standard should be re-established in this country—
because it is needed in the interests of production, honest dealing, sound finance, and increased purchasing power of money.

A Gold Standard will not suffice—
because a changed standard would be a subversion of the standard to which values in property, contracts, trusts, and world-wide commerce have been adjusted from the earliest times.

The Gold Standard is the only common ground upon which exchanges can be stabilized.

When **the** Gold Standard is in effective operation Fluctuations in Foreign Exchanges is another name for deviations from it.

When **the** Gold Standard is not in effective operation Fluctuations in Foreign Exchanges are due to manipulation by those who control credit, and either expand or contract it for the purpose of swinging and pegging the exchanges.

One currency regulated by the Gold Standard would serve the purposes of world trade provided that it existed where a clearing-house for exchanges of goods as well as of their financial equivalents were practicable.

A British Gold Standard currency and everything else necessary is practicable in Great Britain at the present time. Great Britain is the only country of which that can be said.

We should revert to the Gold Standard in the following manner:

(1) Repeal war-time Legal Tender Acts.
(2) Provide the necessary facilities for extension of the Cheque System.
(3) Provide against the needless use of Legal Tender.
(4) Base full Legal Tender on the pre-war Gold Standard.
(5) Remove and cancel Treasury Notes to the necessary extent by means of a Loan to be subscribed in Treasury Notes.

Production would have to be increased in accordance with an enormous demand at low prices from a world in need, which would then have found a market through which it could trade.

For Production both cheap and abundant, and to avert disaster that might otherwise befall many as a consequence of prices lowered from paper prices to gold prices, Credits on a large scale and in special form would be required.

These Credits would take the form of Production Loans. They would give the use of Banking Machinery to the owners of Productive Properties, i.e. Capital Assets, i.e. the Machinery of Production, to enable them to exercise a right vested in their property to create for mere banking charges, credit redeemable by instalments. There would be no interest, the credit being the user's own property right. These credits would be called Production Loans. They would be guaranteed by the Treasury, and therefore would in effect be Credit created and lent by the State. They would be conditional upon application solely to the creation of new, or the relief of existing, Productive Properties or Machinery of Production.

They would therefore increase the capital assets and productive resources of the country to the full extent of their nominal amount. They would cause no inflation, but on the contrary would add substance to whatever is carrying existing inflation. They would reduce the standing charges of Production in general.

The imperative need of the economic change represented by the proposals is shown by a comparison of the present national obligations with those of 1913/14 in Schedule N.

In the Schedules 50 years is taken as the period of repayment of the loan in all cases where the undertaking has the character of permanence. A different period is taken in each of the two cases of Farms. A period of 30 years has been taken in reference to Banks. Thirty years is likely to be the average period, and the cost of the average loan would have an important bearing in fixing the general rate of interest.

Schedule A is a Draft of the Production Loans Proposals.

Schedule B is an application of the Proposals as they would affect an Iron and Steel Company.

Schedule C is an application of the Proposals as they would affect an Electric Light and Power Supply Company.

The Proposals are here applied in three different ways:

(1) The Company exercising its Credit Right to the extent of paying off Debenture Loan Capital.

(2) The Company exercising its full Credit Right in: (*a*) paying off Debenture Loan Capital and (*b*) lending the Balance of Credit at 3 per cent. Interest.

(3) The Company exercising its full Credit Right in: (*a*) paying off Debenture Loan Capital and (*b*) using the Balance of Credit for extension of the concern.

Schedule D is an application of the Proposals as they would affect a Dry Dock and Wharf Company.

Schedule E is an application of the Proposals as they would affect an Electric Tramway and Carriage Company.
Schedule F is an application of the Proposals as they would affect a Cotton Spinning Company.
Schedule G is an application of the Proposals as they would affect a Shipbuilding and Engineering Company.
Schedule H is an application of the Proposals as they would affect a Corporation Tramways Department.
Schedule I is an application of the Proposals as they would affect a Corporation Electricity Department.
Schedule J is an application of the Proposals as they would affect a Farmer (Owner and Occupier).
Schedule K is an application of the Proposals as they would affect a Farmer Tenant.
Schedule L is an application of the Proposals as they would affect a Bank.
Schedule M is an application of the Proposals as they would affect the Railway Companies of the country.
Schedule N is a comparative estimate of Pre-war and Post-war obligations.

SCHEDULE A
DRAFT FOR CONSIDERATION

PRODUCTION LOANS BILL

A
BILL
TO

Provide for the granting of Production Loans through the agency of Banks by virtue of a specific right of participation in National Credit to be vested in property used for the purposes of Production, to provide for a Government guarantee in respect of such loans, to ensure that the effect of such loans shall be to promote Production to the extent rendered necessary by the financial obligations incurred

through the War, to extend the powers and duties of the Bank of England, and otherwise to facilitate Production Loans within the British Empire.

BE it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

Obligation on Banks to make Loans to Persons with the right to Production Loans.

1. It shall be the duty of every Bank, subject to the provisions of this Act and to Regulations made by the Treasury thereunder, to make loans to persons entitled to Production Loans as of national right and therefore interest free (except in so far as interest may be compounded into a Treasury fee for a national guarantee) under this Act, to be redeemed by equal annual instalments. Such loans are hereinafter described as Production Loans.

Valuation of Property for the Purposes of Production Loans.

2. The Value of property for the purposes of a Production Loan shall be determined in the following manner:

(1) Value shall be stated in terms of gold standard legal tender. Subject thereto the value of any land or hereditaments which have been valued for the purposes of the Finance (1909–10) Act, 1910, shall be the total value fixed on such valuation, or where there has been a subsequent ascertainment of the total value by the Commissioners of Inland Revenue the total value as then ascertained, and a copy of the particulars mentioned in Section 30 of the Finance (1909–10) Act, 1910, certified as therein mentioned, shall be sufficient evidence of such valuation: Provided nevertheless that

(*a*) Any person holding an interest in such lands or hereditaments may apply to the Commissioners of

Inland Revenue to certify the value of his interest and the Commissioners, with due regard to the total value, may certify accordingly.

(*b*) Any person holding an interest in such land or hereditaments subject to incumbrances may apply to the Commissioners of Inland Revenue to certify the amount or value of the incumbrances, and the Commissioners, with due regard to the total value, may certify accordingly; and

(*c*) Where the total value has increased since the date of the last ascertainment of total value, the owner may apply to the Commissioners of Inland Revenue for a fresh valuation and the Commissioners shall make such valuation and shall certify accordingly.

(2) The Value of any productive property of a statutory company as defined by Section 38 of the Finance (1909–10) Act, 1910, and the amount or value of any incumbrances thereon, may be certified by the Board of Trade on the application of such Company, and no valuation under that Act shall affect the value of the property of such Company for the purposes of this Act.

(3) The value of any productive property of a rating authority, as defined by Section 35 of the Finance (1909–10) Act, 1910, and the amount or value of any incumbrances thereon may be certified by the Local Government Board on the application of that rating Authority and no valuation under that Act shall affect the value of the property of such authority for the purposes of this Act.

(4) The value of any other property used for purposes of production and of any incumbrances thereon shall be certified by the Commissioners of Inland Revenue on the application of the owner or reputed owner of such property.

(5) Any application for a certificate under this section shall be made in the prescribed form and shall be accompanied by the prescribed fee.

(6) Any certificate of the Commissioners of Inland Revenue, the Board of Trade, or the Local Government Board, under this section, may be under the hand of a Secretary or Assistant Secretary of such Commissioners or Board.

As to the Proof of Title.

3. (1) There shall be appointed by the Lord Chancellor such number of examiners of title at such salaries as the Treasury may approve for the purpose of examining the title of any intending applicant for a Production Loan.

(2) Where in any part of the United Kingdom provision has been made under any Act of Parliament for the registration of title to land, Rules made under this section may provide for the examination of title by any official appointed for the purposes of such registration and such official shall be an examiner for the purposes of this section.

(3) An application for a certificate of title shall be accompanied by the certificate of value, and the applicant shall furnish all documents and information required by the examiner.

(4) It shall be the duty of the examiner to inquire whether a good title as between vendor and purchaser has been shown to the property comprised in the certificate of value, and whether the applicant is entitled to charge such property subject to any and what prior charges or limitations, and with any and what consents or sanctions, and to certify accordingly. The examiner shall accept as sufficient evidence of title such evidence as in his opinion would allow the title to be accepted without serious commercial risk. In the case of chattels a statutory declaration may be accepted as sufficient evidence.

(5) There shall be no appeal against the grant of a certificate or for the variation of a certificate, but the applicant may appeal against a refusal to grant a certificate.

(6) A Judge of the Chancery Division of the High Court

of Justice shall be assigned by the Lord Chancellor to supervise the examiners of title and to hear appeals against any refusal of a certificate.

(7) The Lord Chancellor shall, with the concurrence of the Treasury, make Rules for the purpose of carrying into effect this section and such Rules may fix the offices of the examiners in London or at the District Registries of the High Court of Justice or elsewhere.

(8) In the application of this section to Ireland the Lord Chancellor shall mean the Lord Chancellor of Ireland.

(9) In the application of this section to Scotland the Lord Chancellor shall mean the Lord Advocate and the Chancery Division of the High Court of Justice shall mean the Court of Session.

Certificate of Profits.

4. The Commissioners of Inland Revenue shall, on the application of any person holding a certificate of value and a certificate of title, certify, under the hand of their Secretary or Assistant Secretary, the amount of the profits at their value in standard gold earned by such person in or upon the land or hereditaments to which such certificates relate during each of the last five financial years, or if the business has been carried on for less than five years during each financial year since the establishment of the business. The Commissioners may require from such person any documents or particulars which seem to them necessary for this purpose and may require such particulars as seem to them to be verified by statutory declaration. Any period of twelve months for which the accounts are usually made up may be deemed to be a financial year for the purposes of this section.

Conditions of right to Production Loans.

5. The following conditions of right to a Production Loan must be satisfied before any person shall be

entitled to a Production Loan from any Bank under this Act:

(1) The applicant must be in possession of property shown by the certificate of value to be worth more than two hundred pounds, and such property must be in possession of the applicant and used by him for the purposes of production: Provided that

(*a*) When two or more persons hold interests in any property they may apply for a joint loan if the total value of the interests is over two hundred pounds, and such property is in the possession of and used by one or more of those persons for the purposes of production; and

(*b*) In the case of land let as a farm for a term not exceeding twenty years the landlord and the farmer shall be deemed to be in joint possession and to be using the land for the purposes of production;

(*c*) In the case of land let as a farm for a term exceeding twenty years, and in the case of land of which the farmer is the owner, the farmer shall be deemed to be in possession and to be using the land for the purposes of production.

(2) The applicant must be a British subject or a Company whereof the greater part of the share capital is held by British subjects;

(3) The applicant must deposit at the Bank his certificate of value, certificate of title and certificate of profits, and such deeds or documents of title as the Bank may require relating to the property offered as security for a loan;

(4) The certificate of profits must show that the average amount of the annual net profits at their value in standard gold earned by the applicant, or, in the case of an application under condition (1) (*a*) by the applicant in possession, during the five years to which such certificate relates, exceeded the amount of the annual instalment which the

applicant would be required to pay in redemption of the loan: Provided that

(*a*) If the business has been established for less than five years the average amount of the annual net profits at their value in standard gold earned since the establishment of the business shall be substituted for the average amount of the annual net profits at their value in standard gold earned during the five years;

(*b*) The interest paid on any charge which the applicant undertakes to discharge out of the proposed loan shall not be deducted from profits when estimating such average;

(5) The title of the applicant as certified in the certificate of title must show that the applicant is able to give a first charge on the freehold of the land or hereditaments included in the certificate: Provided that

(*a*) A first charge on freehold land and hereditaments shall not be necessary if the value of the prior incumbrances do not exceed ten per centum of the total value of the land and hereditaments; and

(*b*) Except in agricultural cases a leasehold title to the land and hereditaments shall be deemed sufficient if the value of the interest of the leaseholder is shown by the certificate of value to be not less than ninety per centum of the value of the land and hereditaments.

(6) The amount of the loan shall not exceed

(*a*) In the case of a loan secured by a first charge on freehold land and hereditaments one-half of the value of the property of the applicant as shown in the certificate of value; and

(*b*) In the case of a loan secured by a second charge on freehold land and hereditaments, or by a first charge on leasehold land and hereditaments, forty per centum of such value;

(7) In the case of loans on the security of property other than land or hereditaments, and in the case of loans on land and hereditaments where the business carried on therein is of a personal character or liable to great fluctuation collateral security may be required;

(8) The applicant must do all things which are necessary to effectuate the security of the Bank.

Granting or Refusing Loan.

6. (1) If a Bank proposes to grant a Production Loan, or if an arbitrator has awarded that a Production Loan shall be made, the Bank shall, before granting the Production Loan, report to the Treasury in the prescribed manner how the conditions of right to a Production Loan have been satisfied, and the Treasury may, within one month after receiving such report, refuse to guarantee the loan without assigning any cause, and such loan shall not be made as a Production Loan under this Act.

(2) A Bank may refuse to grant a Production Loan on the ground that the conditions of right to the loan have not been satisfied, or on the ground that the Treasury refused to guarantee the loan.

(3) The Bank shall require as a condition of a loan that the borrower shall enter into a covenant to continue to use the property for purposes of production and to keep the same equipped and organized for those purposes and to use the sum lent for the discharge of liabilities on or affecting the property or for the development of the property or of the business carried on therein or thereon or for some other purpose of production to be specified in the covenant, and may require that the borrower shall keep at the Bank his banking account in relation to the business carried on by the applicant on or by means of this property.

(4) No proceedings shall be taken in any Court of Law by an applicant against any Bank for refusing to grant a

Production Loan in respect of which the conditions of right to the loan have not been fulfilled or the Treasury has refused its guarantee.

(5) If any question arises between an applicant and a Bank as to whether a Production Loan should be granted or as to the conditions to be satisfied before such Production Loan is granted or otherwise in relation to the making or securing of the Production Loan, or to the period of redemption, it shall be referred to an Arbitrator appointed by the Treasury subject to the prescribed conditions, and the award shall be final and binding on the parties.

(6) The Bank shall when the loan has been granted hand to the applicant a certificate showing the amount of the loan and copies certified by the Bank of the certificate of value, the certificate of title and the certificate of profits.

Government Guarantee and Reserve.

7. The Treasury shall in the prescribed manner indemnify the Bank against any loss arising from the failure to secure redemption of a Production Loan unless such loss was caused or contributed to by the negligence of the Bank in the perfecting or custody of the security or in taking all proper and necessary steps to enforce the same. The Bank shall procure from the borrower from resources other than the proceeds of the loan and shall pay to the Treasury the prescribed amount (not exceeding five per centum on the amount of the loan) as the borrower's payment for the Treasury guarantee. The sums so paid shall be held by the Treasury so far as expedient in gold and otherwise in credit at the Bank of England as a reserve for the payment of any sums payable by the Treasury under this section and subject thereto as a Government Banking and Legal Tender Currency Reserve. Subject as aforesaid any sums payable by the Treasury under this section shall be charged upon and issued out of the Consolidated Fund of the United Kingdom or the growing produce thereof.

Priority of Production Loans.

8. All Production Loans charged upon any property shall take priority over all subsequent charges.

No Person to Carry on Business of Banking if he has Refused to make Production Loans.

9. (1) No person shall carry on the business of banking in the United Kingdom after the day of 1922, if the Treasury certifies that such person has refused to grant Production Loans in accordance with the provisions of this Act.

(2) If any company in relation to which the Treasury so certifies was incorporated for the purpose of banking and does not procure such an amendment of its Memorandum of Association or other document or Act regulating its powers as may prevent it from carrying on the business of banking it may be wound up on the application of the Treasury.

(3) If any person carries on the business of banking contrary to the provisions of this section, he shall be liable on summary conviction to a penalty not exceeding £1,000 and a daily penalty not exceeding £100.

Regard to be had to this Act in Industrial Arbitrations.

10. In any arbitration as to wages between an employer who has obtained a Production Loan and his employees, regard shall be had to the benefit conferred upon the employer by the provisions of this Act.

Advisory Board.

11. (1) An Advisory Board, consisting of not less than eleven and not more than seventeen persons, shall be formed to advise the Treasury for the purposes of this Act, particularly in relation to the preservation of Economic Equilibrium between supplies of commodities and effective demand.

(2) The members of the Advisory Board shall be appointed by the Treasury from time to time with due

regard to the representation of Commerce, Manufactures, Agriculture, Finance, the Dominions and Economic Science.

(3) A member of the Board shall hold office for five years from the date of his appointment unless he dies, resigns, becomes bankrupt or makes an assignment to his creditors, and may be paid such salary as the Treasury may determine.

(4) It shall be the function of the Board to make recommendations to the Treasury in relation to the administration of this Act, and otherwise in relation to Banking.

Duty of the Bank of England to Establish Branches and make Advances to Banks in the United Kingdom and to Reserve Banks elsewhere in the British Empire.

12. (1) The Bank of England shall establish branches in such places in the United Kingdom as may be fixed by the Treasury.

(2) The Bank of England shall, subject to the directions of the Treasury, extend to every Bank which keeps an account with the Bank of England such discounts, advances and accommodations as may be safely and reasonably made.

(3) The Bank of England may establish branches and carry on business in any part of the British Empire, subject to any legislation there in force.

(4) If in any part of the British Empire any Reserve Bank be constituted by legislation there in force, or any Bank be authorized by such legislation to perform the duties of a Reserve Bank, the Bank of England shall extend to such Reserve Bank the same discounts, advances and accommodation as if it were a Bank in the United Kingdom.

Advances to Governments where Equivalent Legislation is in force.

13. If in any part of the British Empire other than the United Kingdom legislation comes into force which the Treasury and the Advisory Board shall deem equivalent, in its relation to such part of the British Empire, to the

provisions of Sections 1 to 9 of this Act, in their relation to the United Kingdom, His Majesty may by Order in Council declare that such legislation shall be deemed to be equivalent legislation, and, if it be so declared, the Treasury may advance to the Government of such part of the British Empire as a loan on such terms as may be agreed between the Treasury and such Government any sum which may be required to make good a guarantee of such Government under such legislation.

Regulations.

14. The Treasury shall make regulations.

(1) Prescribing the payments (not exceeding one per centum per annum in the first year and thereafter ten shillings per centum per annum on the original amount of the loan) to be made to the Bank for the accounting of the loans and the making of the conditions of redemption thereof; Provided that such loans shall in every case be redeemable in instalments within a period in no case exceeding sixty years;

(2) Prescribing the method of valuation and of ascertaining profits for the purpose of establishing the right to Production Loans and of determining in what cases the conditions of right to Production Loans have been fulfilled;

(3) Prescribing the method of registration of the loan and of recording on the register the payment of instalments with due regard to the existing methods of registration of title or deeds in various parts of the United Kingdom;

(4) Prescribing the method of holding and using the Government Banking Reserve;

(5) Prescribing the maximum use of the banking system, in the keeping of banking accounts and the making of payments in general by transfers of credits with crossed cheques and other credit instruments, not being legal tender; and the minimum use of legal tender;

(6) Prescribing reversion to the gold standard of legal tender money;

(7) Prescribing the discounting of bills by Banks for the transfer of products at a discount rate not exceeding three per centum; and

(8) Otherwise for the purposes of this Act.

Regulations made by the Treasury under this Act shall be published in the London, Edinburgh and Belfast Gazettes, and shall be laid before both Houses of Parliament.

Definition.

15. In this Act

"Bank" means any Company, firm or person carrying on the business of banking within the United Kingdom.

"Banking" means commercial banking but shall not include the business of a savings bank.

"The Government" means in relation to the Dominion of Canada the Government of the Dominion, in relation to the Commonwealth of Australia the Government of the Commonwealth, in relation to South Africa the Government of the Union, in relation to India the Government of India, and in relation to any other part of the British Empire beyond the seas the Executive Government of such part.

"Prescribed" means prescribed by Regulations made by the Treasury under this Act.

"Production" includes agriculture, manufactures, transport, communication and scientific research.

"Property" includes land, hereditaments or chattels in the United Kingdom and all ships registered in the United Kingdom, but does not include *Choses in Action.*

"Reserve Bank," other than the Bank of England, means a Bank which is empowered and required to maintain a Production Loan guarantee reserve and to give accommodation to other Banks in any part of the British Empire and of which the Government of such part of the British Empire holds not less than one-half of the capital stock.

Short Title.

16. This Act may be cited as the Production Act, 19 .

SCHEDULE B

The undernoted is an example of a Company exercising its full Credit Right.

IRON & STEEL COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.

Freehold and Leasehold Land, Buildings, Plant and Machinery	£600,000
PRODUCTION LOAN UNDER SCHEME.	
50% of Gold Value of Productive Assets .	£300,000
PRODUCTION LOAN CLAIMED . . .	£300,000
Repaying 4½% Debenture Stock	£300,000

NOTE.—This would release £300,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£13,500 per annum) .	£675,000
With an undiminished Debenture Liability at end of that time of	300,000
	£975,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumula-

ted profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£15,000
NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the scheme and National emergencies, such as occurred, for example, on the declaration of War in 1914.	
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	7,500
(*c*) *Paid to Bank.* 1% on Loan (or £3,000) as Accounting Fee for first year, and ½% (or £1,500) for each of the succeeding 49 years	76,500
(*d*) *Paid Annual Instalments.* 50 of £6,000 each . . .	300,000
(*e*) *No Debenture Liability at end* .	—
	£399,000
A SAVING IN 50 YEARS OF . . .	£576,000

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE C (1)

The undernoted is an example of a Company exercising its Credit Right to the extent of paying off Debenture Loan Capital.

ELECTRIC LIGHT & POWER SUPPLY COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.

Land, Buildings, Machinery, Accumulators, and Generators at Distributing Stations, Mains, Transformers, Motors, Installations on Consumers' premises, Meters and Electric Instruments	£4,000,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets .	£2,000,000

PRODUCTION LOAN CLAIMED . .	£1,130,000

Repaying:

4½% Debenture Stock .	£730,000
5 % Debenture Stock .	400,000
	£1,130,000

NOTE.—This would release £1,130,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£52,850 per annum) .	£2,642,500
With an undiminished Debenture Liability at end of that time of .	1,130,000
	£3,772,500

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan £56,500

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

(*b*) *Paid Professional Charges.*

In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan) 28,250

(*c*) *Paid to Bank.*

1% on Loan (or £11,300) as Accounting Fee for first year, and ½% (or £5,650) for each of the succeeding 49 years 288,150

(*d*) *Paid Annual Instalments.*

50 of £22,600 each . . . 1,130,000

(*e*) *No Debenture Liability at end.* . —

£1,502,900

A SAVING IN 50 YEARS OF . . . £2,269,600

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE C (2)

The undernoted is an example of a Company exercising its full Credit Right (1) *in paying off Debenture Loan Capital, and* (2) *lending the balance of Credit at* 3% *Interest.*

ELECTRIC LIGHT & POWER SUPPLY COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.

Land, Buildings, Machinery, Accumulators and Generators at Distributing Stations, Mains, Transformers, Motors, Installations on Consumers' premises, Meters and Electric Instruments £4,000,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets . £2,000,000

PRODUCTION LOAN CLAIMED . . . £2,000,000

Repaying:

4½% Debenture Stock	£730,000	
5 % Debenture Stock	£400,000	
		£1,130,000

NOTE.—This would release £1,130,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

Credit Balance lent outside the business in other enterprises at 3% Interest, such enterprises having previously been approved as a condition of the Loan £870,000

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER OLD SCHEME.

In Interest (£52,850 per annum) . .	£2,642,500
With an undiminished Debenture Liability at end of that time of . .	1,130,000
	£3,772,500

2. UNDER NEW SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a Single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£100,000

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

(*b*) *Paid Professional Charges.*

In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	50,000

(*c*) *Paid to Bank.*

1% on Loan (or £20,000) as Accounting Fee for first year, and ½% (or £10,000) for each of the succeeding 49 years	510,000
Carried forward . . .	£660,000

Brought forward . . .	£660,000
(*d*) *Paid Annual Instalments.*	
50 of £40,000	2,000,000
(*e*) *No Debenture Liability at end.* .	—
	£2,660,000
Less interest at 3% on Credit £870,000 lent outside own business for same period of years . .	1,305,000
	£1,355,000
A SAVING IN 50 YEARS OF . . .	£2,417,500

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE C (3)

The undernoted is an example of a Company exercising its full Credit Right (1) *in paying off Debenture Loan Capital, and* (2) *using the balance of Credit for extension of the concern.*

ELECTRIC LIGHT & POWER SUPPLY COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.	
Land, Buildings, Machinery, Accumulators and Generators at Distributing Stations, Mains, Transformers, Motors, Installations on Consumers' premises, Meters and Electric Instruments	£4,000,000
PRODUCTION LOAN UNDER SCHEME.	
50% of Gold Value of Productive Assets .	£2,000,000

PRODUCTION LOAN CLAIMED . . .		£2,000,000
Repaying:		
4½% Debenture Stock . .	£730,000	
5 % Debenture Stock . .	400,000	
		£1,130,000
NOTE.—This would release £1,130,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.		
Credit Balance used for further extension of business		£870,000

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER OLD SCHEME.	
In Interest (£52,850 per annum) . .	£2,642,500
With an undiminished Debenture Liability at end of that time of . .	1,130,000
	£3,772,500
2. UNDER NEW SCHEME.	
(*a*) *Paid to Treasury.*	
5% on Production Loan, being a Single payment out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£100,000
NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.	
Carried forward . . .	£100,000

Brought forward . . .	£100,000
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	50,000
(*c*) *Paid to Bank.* 1% on Loan (or £20,000) as Accounting Fee for first year, and ½% (or £10,000) for each of the succeeding 49 years	510,000
(*d*) *Paid Annual Instalments.* 50 of £40,000	2,000,000
(*e*) *No Debenture Liability at end* . .	—
	£2,660,000
Less Profit earned from fresh production assets, say 5% for 50 years on £870,000 . . .	2,175,000
	£485,000
A SAVING IN 50 YEARS OF . . .	£3,287,500

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE D

The undernoted is an example of a Company only exercising its Credit Right to the extent of paying off Debenture Loan Capital.

DRY DOCK & WHARF COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.

Dry Docks, Wharves, Property, Plant and Machinery	£300,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets .	£150,000
PRODUCTION LOAN CLAIMED . . .	£110,000

Repaying:

5% Debenture Stock . .	£110,000

NOTE.—This would release £110,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£5,500 per annum) . .	£275,000
With an undiminished Debenture Liability at end of that time of . .	110,000
	£385,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£5,500

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

Carried forward . .	£5,500

Brought forward . .	£5,500
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	2,750
(*c*) *Paid to Bank.* 1% on Loan (or £1,100) as Accounting Fee for first year, and ½% (or £550) for each of the succeeding 49 years	28,050
(*d*) *Paid Annual Instalments.* 50 of £2,200 each . . .	110,000
(*e*) *No Debenture Liability at end* .	—
	£146,300
A SAVING IN 50 YEARS OF . . .	£238,700

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE E

The undernoted is an example of a Company only exercising its Credit Right to the extent of paying off Debenture Loan Capital.

ELECTRIC TRAMWAY & CARRIAGE COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.

Electric Tramways, Light Railways, Power Stations, Freehold and Leasehold Properties, Equipment and Stores. . .	£1,600,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets	.	£800,000
PRODUCTION LOAN CLAIMED .	.	£700,000

Repaying:

4 % Debenture Stock	£250,000	
4½% Debenture Stock	450,000	
	£700,000	

NOTE.—This would release £700,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£30,250 per annum) .	.	£1,512,500
With an undiminished Debenture Liability at end of that time of .	.	700,000
		£2,212,500

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£35,000

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

Carried forward	.	£35,000

Brought forward . .	£35,000
(*b*) *Paid Professional Charges.*	
In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	17,500
(*c*) *Paid to Bank.*	
1% on Loan (or £7,000) as Accounting Fee for first year, and ½% (or £3,500) for each of the succeeding 49 years	178,500
(*d*) *Paid Annual Instalments.*	
50 of £14,000 each . . .	700,000
(*e*) *No Debenture Liability at end* .	—
	£931,000
A SAVING IN 50 YEARS OF . . .	£1,281,500

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE F

The undernoted is an example of a Company only exercising its Credit Right to the extent of paying off Debenture Loan Capital.

COTTON SPINNING COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.	
Land, Buildings, Machinery and Plant . .	£220,000
PRODUCTION LOAN UNDER SCHEME.	
50% of Gold Value of Productive Assets .	£110,000

PRODUCTION LOAN CLAIMED . . .	£80,000
Repaying:	
4% Debenture Stock . .	£80,000

NOTE.—This would release £80,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£3,200 per annum) . .	£160,000
With an undiminished Debenture Liability at end of that time of . .	80,000
	£240,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£4,000

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

Carried forward . .	£4,000

Brought forward . .	£4,000
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	2,000
(*c*) *Paid to Bank.* 1% on Loan (or £800) as Accounting Fee for first year, and ½% (or £400) for each of the succeeding 49 years	20,400
(*d*) *Paid Annual Instalments.* 50 of £1,600 each . . .	80,000
(*e*) *No Debenture Liability at end* .	—
	£106,400
A SAVING IN 50 YEARS OF . . .	£133,600

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE G

The undernoted is an example of a Company only exercising its Credit Right to the extent of paying off Debenture Loan Capital.

SHIPBUILDING & ENGINEERING COMPANY

GOLD VALUE OF PRODUCTIVE ASSETS.

Freehold and Leasehold Land, Buildings, Plant and Machinery . . .	£1,000,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets .	£500,000
PRODUCTION LOAN CLAIMED . . .	£350,000

Repaying:

4¼% Debenture Stock .	£350,000

NOTE.—This would release £350,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE COMPANY WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£14,875 per annum) . .	£743,750
With an undiminished Debenture Liability at end of that time of . .	350,000
	£1,093,750

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the loan	£17,500

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

Carried forward . .	£17,500

Brought forward . . .	£17,500
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	8,750
(*c*) *Paid to Bank.* 1% on Loan (or £3,500) as Accounting Fee for first year, and ½% (or £1,750) for each of the succeeding 49 years	89,250
(*d*) *Paid Annual Instalments.* 50 of £7,000 each . . .	350,000
(*e*) *No Debenture Liability at end* .	—
	£465,500
A SAVING IN 50 YEARS OF . . .	£628,250

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE H

The undernoted is an example of a Corporation exercising its Credit Right to the extent of paying off Loans on Mortgage.

CORPORATION TRAMWAYS

GOLD VALUE OF PRODUCTIVE ASSETS. Land, Buildings, Machinery, Plant, Permanent Way, Rolling Stock, including Electric Cars, Motor Omnibuses, and Sundry Vehicles	£2,500,000

PRODUCTION LOAN UNDER SCHEME.	
50% of Gold Value of Productive Assets .	£1,250,000
PRODUCTION LOAN CLAIMED . . .	£1,250,000
LOANS ON MORTGAGE (say at 5%) . .	£1,600,000
PRODUCTION LOAN WOULD REPAY .	1,250,000
NOTE.—This would release £1,250,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities	
Leaving outstanding . . .	£350,000

THE CORPORATION WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£80,000 per annum) . .	£4,000,000
With an undiminished liability at end of that time of	1,600,000
	£5,600,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£62,500
NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the	
Carried forward . . .	£62,500

Brought forward . . .	£62,500
Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.	
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½ % on Loan)	31,250
(*c*) *Paid to Bank.* 1 % on Loan (or £12,500) as Accounting Fee for first year, and ½ % (or £6,250) for each of the succeeding 49 years	318,750
(*d*) *Paid Annual Instalments.* 50 of £25,000 each . . .	1,250,000
(*e*) *Paid off (say at end of 15 years).* (1) Balance of Loans on Mortgage	350,000
(2) Interest on same for 15 years at 5%	262,500
(*f*) *No Liability for Loans on Mortgage at end*	—
	£2,275,000
A SAVING IN 50 YEARS OF . . .	£3,325,000

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE I

The undernoted is an example of a Corporation only exercising its Credit Right to the extent of paying off Loans on Mortgage.

CORPORATION ELECTRICITY DEPARTMENT

GOLD VALUE OF PRODUCTIVE ASSETS.

Land, Buildings, Machinery, Switchboards at Generating and Distributing Stations, River Covering, Viaducts, Permanent Way, Mains, Services, Meters, Time Switches, Motors, Electrical Instruments . . £4,000,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets . £2,000,000

PRODUCTION LOAN CLAIMED . . . £2,000,000

Repaying:

Miscellaneous Loans (5¼%) £2,000,000

NOTE.—This would release £2,000,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE CORPORATION WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£105,000 per annum) . £5,250,000

With an undiminished Debenture Liability at end of that time of . . 2,000,000

£7,250,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£100,000

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

(*b*) *Paid Professional Charges.*

In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	50,000

(*c*) *Paid to Bank.*

1% on Loan (or £20,000) as Accounting Fee for first year, and ½% (or £10,000) for each of the succeeding 49 years	510,000

(*d*) *Paid Annual Instalments.*

50 of £40,000 each . . .	2,000,000

(*e*) *No Liability for Loans on Mortgage at end* . . . . . —

£2,660,000

A SAVING IN 50 YEARS OF . . . £4,590,000

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE J

The undernoted is an example of a Farmer exercising his full Credit Right.

A FARMER (Owner and Occupier)

GOLD VALUE OF PRODUCTIVE ASSETS.

Freehold Land, Buildings, Cattle, Horses, Poultry, Machinery, Loose Tools, and other Implements, &c. £20,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets . £10,000

PRODUCTION LOAN CLAIMED . . . £10,000

Repayable in 20 years, by equal annual instalments.

Repaying:

Loan at 5% Interest . £10,000

NOTE.—This would release £10,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE FARMER WOULD HAVE PAID OVER 20 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£500 per annum) . .	£10,000
With an undiminished Debenture or Mortgage Liability at end of that time of	£10,000
	£20,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the Guarantee by the Treasury to the Bank of the due redemption of the Loan	£500

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

(*b*) *Paid Professional Charges.*

In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	250

(*c*) *Paid to Bank.*

1% on Loan (£100) as Accounting Fee for first year, and ½% (or £50) for each of the succeeding 19 years	1,050
Carried forward . . .	£1,800

Brought forward . . .	£1,800
(*d*) *Paid Annual Instalments.* 20 of £500	10,000
(*e*) *No Debenture or Mortgage Liability at end*	—
	£11,800
A SAVING IN 20 YEARS OF . . .	£8,200

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE K

The undernoted is an example of a Farmer Tenant exercising his full Credit Right.

A FARMER TENANT (with 25 years' lease)

GOLD VALUE OF PRODUCTIVE ASSETS.

Leasehold Land, Buildings, Cattle, Horses, Poultry, Machinery, Loose Tools, and other Implements, &c.

Landlord's Property.		
Land	£4,000	
Buildings . . .	2,000	
		£6,000
Tenant's Property.		
Buildings . . .	£2,000	
Plant and other Productive Assets . .	6,000	
		8,000
		£14,000

PRODUCTION LOAN UNDER SCHEME.

40% of Gold Value of Productive Assets repayable in 25 years, by equal annual instalments £5,600

NOTE.—It is assumed that the Farmer will be able to come to an arrangement with the Landlord for the benefit of the credit due to the Landlord's property—otherwise the Farmer will be entitled only to 40% of £8,000.

PRODUCTION LOAN CLAIMED . . . £5,600

Repaying:

Loan at 5% . . . £5,600

NOTE.—This would release £5,600 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds and the rehabilitation of the value of Securities.

THE FARMER WOULD HAVE PAID OVER 25 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£280 per annum) . . £7,000

With an undiminished Debenture or Mortgage Liability at end of that time of 5,600

£12,600

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumulated profits, as a fee for the

Guarantee by the Treasury to the Bank of the due redemption of the Loan	£280
NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the Scheme and National emergencies such as occurred, for example, on the declaration of war in 1914.	
(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value and Profits (say 2½% on Loan)	140
(*c*) *Paid to Bank.* 1% on Loan (or £56) as Accounting Fee for first year, and ½% (or £28) for each of the succeeding 24 years	728
(*d*) *Paid Annual Instalments.* 25 of £224 each	5,600
(*e*) *No Debenture or Mortgage Liability at end*	—
	£6,748
A SAVING IN 25 YEARS OF . . .	£5,852

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE L

The undernoted is an application of the proposals as they would affect Banks.

A.B.C. BANK, LIMITED

ASSUME THAT

(1) Production Loans are granted for £300,000,000, repayable in 30 years by equal annual instalments.

(2) Production Loans are used—

In repaying:	
Mortgages and Debentures on Productive Assets	£150,000,000
Bank Loans on Productive Assets .	50,000,000
In Creating:	
New Productive Assets . . .	100,000,000
	£300,000,000

(3) Investments are £56,000,000, and that these yield only 3% as against a present average of 5%.

AS THE EFFECT OF THE FIGURES ASSUMED
THE A.B.C. BANK, LIMITED

WOULD EARN EXTRA REVENUE PER ANNUM.		
1. Discounting Extra Bills.		
3% on £300,000,000		£9,000,000
2. Accounting Production Loan.		
1% for First Year	£3,000,000	
½% per annum for 29 Years	43,500,000	
	£46,500,000	
Average per annum		1,550,000
3. Interest from Extra Advances to Customers.		
(Not estimated)		—
4. Accounting Charges on New Accounts (other than Production Loan Accounts).		
(Not estimated)		—
5. Commission on Extra Stockbroking Transactions.		
(Not estimated)		—
6. Rents from Properties.		
(Not estimated)		—
		£10,550,000

WOULD LOSE IN REVENUE PER ANNUM.	
7. Interest on Advances to Customers Repaid.	
5% on £50,000,000	£2,500,000
8. Interest from Investments.	
2% of £56,000,000	1,120,000
9. Balance: Increased Revenue, excluding that to be earned under headings 3, 4, 5 and 6	6,930,000
	£10,550,000

SCHEDULE M

The undernoted is an application of the proposals as they would affect Railway Companies in the United Kingdom.

GOLD VALUE OF PRODUCTIVE ASSETS.

Land, Buildings, Plant, Machinery, Rolling Stock, etc. £1,000,000,000

PRODUCTION LOAN UNDER SCHEME.

50% of Gold Value of Productive Assets £500,000,000

PRODUCTION LOAN CLAIMED . . £400,000,000

Repaying:

Debenture Stock (at say 4%) . . £400,000,000

NOTE.—This would release £400,000,000 of Investment Funds for other forms of Investment in the promotion of trade revival, the provision of Government Funds, and the rehabilitation of the value of Securities.

THE COMPANIES WOULD HAVE PAID OVER 50 YEARS:

1. UNDER PRESENT CONDITIONS.

In Interest (£16,000,000 per annum) £800,000,000
With an undiminished Debenture Liability at end of that time of . 400,000,000

£1,200,000,000

2. UNDER THE SCHEME.

(*a*) *Paid to Treasury.*

5% on Production Loan, being a single payment, out of accumu-

lated Profits, as a fee for the guarantee by the Treasury to the Bank of the due redemption of the Loan . .	£20,000,000

NOTE.—This payment to the Treasury would be used as a Treasury Reserve for the purposes of the scheme and National emergencies such as occurred, for example, on the declaration of War in 1914.

(*b*) *Paid Professional Charges.* In connection with the preparation of the case for a Loan, with Stamp Duties on Certificates of Title, Value, and Profits (say 2½% on Loan)	10,000,000
(*c*) *Paid to Bank.* 1% on Loan (or £4,000,000) as Accounting Fee for first year, and ½% (or £2,000,000) for each of the succeeding 49 years	102,000,000
(*d*) *Paid Annual Instalments.* 50 of £8,000,000 each . .	400,000,000
(*e*) *No Debenture Liability at end* .	—
	£532,000,000
A SAVING IN 50 YEARS OF . .	£668,000,000

NOTE.—No account has been taken of the Profits from increase in business resulting from great impetus given to all business by general prosperity.

SCHEDULE N

THE NATIONAL

as distinct from the

REVENUE.	1913/1914.	1919/1920.
	£	£
1. Total National Income, including Interest, Rent, Salaries, Wages, and Profits	2,200,000,000	3,900,000,000
Deficit*	*136,000,000	1,752,000,000
	£2,336,000,000	£5,652,000,000

* This pre-war deficiency was made good by income from abroad.
The post-war deficiency cannot be similarly offset or even materially reduced.

BUDGET

Parliamentary Budget

EXPENDITURE.	1913/1914.	1919/1920.
	£	£
3. Government Taxation, and Redemption Charge per annum on National Debt	205,000,000	1,123,000,000
3. Municipal Rates.	173,000,000	248,000,000
4. Private Investments, as represented by Annual Interest, Redemption Charges, and Rent	651,000,000	1,000,000,000
5. Annual Interest and Redemption Charges on Bank Loans . . .	41,000,000	96,000,000
6. Insurance Charges	52,000,000	68,000,000
7. Effects of Compound Interest on the re-investment and redemption of Income.	22,000,000	39,000,000
8. Support of Benevolent Objects and Institutions	16,000,000	23,000,000
9. Cost consumed in National Living— 1913/1914. 10*s.* per week per person 1919/1920. *25*s.* ,, ,,	1,176,000,000	3,055,000,000
	£2,336,000,000	£5,652,000,000

* Post-war 25*s.* = Pre-war 10*s.*

THE PRESENT-DAY ISSUE

SOCIALISM OR INDIVIDUALISM

[This and the two following articles were among a number of contributions by well-known publicists to a causerie in the *Daily Telegraph*, September, 1922, on The Commonsense of Politics—The initial articles, by an anonymous political correspondent, dealt with the future of the Coalition and the (at that time) alleged dissatisfied attitude of Conservatives generally—The writer stated that "the crux of the trouble appears to exist among a comparatively small number of persons, who seem to mistake prejudice for principle, and who cling to effete shibboleths as if they were conditional to ultimate salvation."]

SIR,—Everybody engaged in business dependent on the general prosperity of the people must feel interested in your articles on "The Commonsense of Politics." It is perhaps questionable to assert, as your correspondent does, that the issue is between Party and Fusion. Parties there will always be. But have not the old lines of demarcation for the moment been obliterated?

Things cannot remain as they are, and principles aiming to keep them so are surely mere futilities. Conservatism itself must change. Unionism became a futility as soon as it meant no more than the perpetuation of disunion in all but name. In these circumstances does not the real issue lie between Socialism and Individualism? Should not fusion take place between all the constitutional parties on the broad foundation of a bold and generous policy of nation-wide individualism? The constitutional parties profess to be individualistic as opposed to socialistic. The difference between them turns upon the number and class of persons and interests on which the party allows the mantle of

individualism to descend. In the one case the number and the class are small, in the other case comparatively large. The one would leave uncared-for a larger obverse party of potential Socialists, Collectivists, and revolutionaries than the other.

Each of the constitutional parties strives for the votes of the constituencies. When these are obtained each party transmutes them into power to do as its leaders like in pursuit of its more or less limited individualism—its promotion of a more or less narrow circle of vested interests within the four corners of the Constitution.

Nowadays, however, the times need a constitutional party with a policy which will deny progress to no man that some other may benefit by his subjection—a policy which will allow every man to participate in the benefits of a Constitution never intended to operate in favour of the few at the expense of the many, and comprehensive enough to include success for all. That this nation-wide and ultimately world-wide individualism is the only humanitarian policy is proved by millions of separate facts, viz. every man, woman, and child in every community. Individualism is the basic fact of mankind. All co-operation should express itself in forms which recognize that fundamental truth. A truly national party would certainly do so. No party whose aim is the exercise of astuteness over ignorance in order to advance the material interests of its wealthier supporters can ever be national. No such party can ever promote the general prosperity rendered absolutely necessary for the liquidation of the financial charges upon the people that the Great War added to pre-existing charges.

None but a party of freedom for every individual in the paths of material progress within the limits of the Constitution—a national party of truly free constitutionalists—will suffice for that vital need of to-day. The vast majority of wage-earners would join such a party. Few of them have

faith in the wisdom of their leaders, however much they may sometimes admire their courage. Moreover, those leaders are so obviously individualists in so many cases, even if they practise their individualism in the cause of Socialism—a cause that is so often forsaken at the altar of personal ambition!

Wage-earners, I have said, have reason to doubt the wisdom of their leaders. I do not wish to state a case in point relative to this country. But what have the Democrats done in the United States? Had their aim been to show how Democracy could make the States safe for Plutocracy they could have done nothing finer. They have actually established a Federal Reserve banking system whereby, through the issue of Federal Reserve notes by various processes of discounting and pyramiding, the whole population are gradually being made to pay interest amounting to millions of pounds per annum on the currency that they receive in wages and use in day-to-day transactions. The Republican party would never have dared to engineer so drastic a measure. The Democrats were induced to adopt it by sheer inability to grasp its subtleties.

THE BRITISH CONSTITUTION

SIR—In your issue of to-day Mr. Worthington, jun., does not observe the distinction that I took pains to preserve between Parliament and the House of Commons merely. This may seem unimportant, but it ought to be noted. I do not think that the British Constitution can be shortly defined by anybody. It is the administrative expedient by which the British people are to be preserved as a sovereign Power. But it is also much more than that. The easiest way to get a clear idea of it is to read Bagehot's work on the subject. But this must be read with an open mind, not by closing the mind to parts of the text which one or other reader might wish that he had left unwritten. It is quite possible to have an unconstitutional Parliament, which is much more than an unconstitutional party, if the sovereignty of the people is undermined by that Parliament by the misuse of powers which the votes of the people have conferred. In other words, the machinery of the Constitution may be used unconstitutionally. It is always so used when the interest of a nation-wide individualism is ignored in the interests of cliques of any label. This is so, whether the object of a particular piece of legislation, or the policy underlying it, has relation to economics or not; although it is difficult to conceive legislation which can have no relation to economics.

The *Daily Telegraph*, in publishing day by day notes upon Mr. Gardiner's *Life of Sir William Harcourt*, will probably bring to public attention one of the most glaring instances of

unconstitutional legislation in British history. I refer to the Death Duties. These should really be rechristened " The National-Death Duties," however slow their destructive action may appear to be. They are based on a complete misapprehension of the principles enunciated by Jeremy Bentham, which probably gave rise to them, and they fully justify the terms of self-disparagement in which Sir William Harcourt wrote of himself in an estimate of his own character and abilities as a statesman in the self-revealing letters which the *Daily Telegraph* has published. Nobody ever questioned his honesty or loyalty. Yet he could devise a plan leading steadily towards the destruction of his country, Constitution included. Clearly, there may be others besides the Labour party who may be quite unintentionally unconstitutional.

SOCIALISM AND INDIVIDUALISM

SIR OSWALD STOLL ON THE REAL ISSUE

SIR,—From several interesting letters in your correspondence on "The Commonsense of Politics," the Constitution appears to be something that constitutes political parties. The Constitution does not consist of the sovereignty of Parliament. That is one of its elements. Parliament again does not consist merely of the House of Commons. The written and unwritten Constitution, accumulated through centuries of Constitutional law and tradition, is based on principles of general utility, to which mankind may conform, or which become extinct. It cannot be dealt with here. Jeremy Bentham is very interesting on the principles of general utility in his *Theory of Legislation.*

The sovereignty of Parliament might easily be used to destroy the Constitution, and any party whose aim is to use the sovereignty of Parliament for that purpose is unconstitutional. Even if Samson had not intended to destroy the Temple, he would have destroyed it when he had pulled its pillars down. A party which enters the House of Commons for the purpose of using a portion of Parliament for pulling down vital parts of the Constitution is certainly unconstitutional, if words have any meaning.

Moreover, it would not be difficult to show that a party which is "uneconomic" is also unconstitutional to the same degree. Ancient Constitutions were destroyed when generations subject to them became "uneconomic." They were destroyed more or less rapidly as their misinterpreters

became more or less "uneconomic." There are mute evidences of the past—sermons in stones—that tell of great peoples destroyed by uneconomic limitation of individual progress to individuals too few in number, which gave rise to Socialistic multitudes, weak in construction, but strong to destroy. Modern evidences are not mute. Europe is providing object-lessons now.

Authority by conquest and by heredity generally learned the lesson too late. Authority by concentration and control of financial power—the type of modern rule—seems even more dense. The magnitude of its operations, organized through political influence and delusion of the voter, tends to expedite the formation of large Socialistic groups which, despite forces of disintegration and occasional impoverishment, tend ever towards greater unification and enhanced destructive power.

The real issue, however disguised, in our country, subject as it is to the operations of international finance, is certainly between Socialism and nation-wide Individualism. Politics cannot evade or compromise this issue. To this issue Free Trade is subsidiary. In this country, however, now and for some years to come, it is an essential part of the solution of our problem. Adam Smith's definition of Free Trade—the free exchange of commodities between nation and nation—has, of course, never been in operation. That is trade universally free. Still, even Free Trade, or free imports, as applied by this country, was never free except to the limited number of individuals who were not denied the financial means to trade of which concentration of financial power had gradually acquired the monopoly. High tariff barriers in some countries against our exports cannot prevent—on the contrary, they are rendering ever more necessary—the establishment of a free market here for goods to and from all parts of the world at lowest world prices.

The admission of manufactured articles from Germany at less than half the cost of production is a position which should be taken advantage of in the establishment of such a market. During the time that these articles were likely to injure home industries they should only be admitted for compulsory export. But all such goods would help our free market in ministering to the world generally at lowest world prices! Prices involve the question of legal tender currency which it is still in our power to solve to our advantage, and to the interest of that free international market in this country which is now necessary not only to our own salvation, but also to the salvation of a maddened Europe sinking into blood-stained anarchy.

When a nation collectively is spoken of the individuals that compose it are more or less forgotten. This question requires that they be remembered. In practical trade excessive tariffs merely divert the activities of individuals. What is necessary is that the individuals shall have the means to create the diversion, instead of being "cribb'd, cabin'd, and confin'd" by the narrow ways of financial magnates with political influence. Higher wages and shorter hours, plus Free Trade in both commodities and finance, are not only compatible, but they are inevitable in alliance with a free international market in this country, where all varieties of imports and exports may be exchanged between all parts of the world in terms of our rehabilitated money of account. These imports and exports, together with goods consumed in the home market, would reach proportions that would involve the manufacture and application of every conceivable kind of labour-saving machinery, as well as of that already in existence, but debarred from use quite properly by Labour, which cannot afford to be displaced.

The world's chaotic monetary exchanges are no bar to this free international market. Our restored Legal Tender

would provide the monetary equations for all the traders therein. The money of the traders would consist of the commodities exchanged. In the circumstances of to-day, nation-wide individualism in politics implies this world-wide market in economics.

THE GENERAL ELECTION OF 1922

CRITICAL NOTES ON THE "PROGRAMMES" OF THE VARIOUS PARTY LEADERS

BY means of votes at a General Election the British Constitution permits the British People to appoint members of Parliament to rule over them by making and changing laws which they must obey.

In practice the members of Parliament so appointed do not make the laws. This work is done by variable majorities of members who take part in it when the objects of laws and changes proposed have sufficient pecuniary or other special interest for them.

As a consequence strange laws are made, strange decisions are taken and strange things are done and said, the world over, in the name of the British People.

The British People rarely know what they are voting for. They are permitted to compare almost incomprehensible programmes or "platforms" and to cast their vote accordingly.

In the General Election of November, 1922, the programmes are summarized by *The Times* of October 27th from the spokesmen of the respective political parties. These summaries are given here with brief observations on each point:

MR. BONAR LAW

POINT 1. "A policy of tranquillity and stability to give free scope to initiative and enterprise."

Free scope to initiative and enterprise would be a boon to the people. But tranquillity and stability are merely

vague terms : not efficient causes of " free scope to initiative and enterprise." The efficient cause is the existence of purchasing power at the disposal of the adults of an intelligent people, as means to satisfy their wants. In tranquillity and stability, no doubt, such means possessed by the people would operate more freely in multiplying the kinds of individual initiative and enterprise displayed, but war-prosperity proved that a high degree of initiative and enterprise are compatible with strain and instability.

POINT 2. " Revision of machinery of Central Government. A large part of the work of the Cabinet Secretariat to be transferred to the Foreign Office."

This is a mere detail of Administration. It may reduce expenditure slightly and add to the unemployed. If it lightens taxation it will also reduce the power to pay taxes.

POINT 3. " Loyal fulfilment of obligations undertaken in foreign relations : no extension of commitments, but, on reasonable occasion, curtailment."

This is a promise to continue the obligations incurred on behalf of the British People by previous Governments. It is a proof that on this count no good purpose was served by a change of Government. That a British Government shall not extend its commitments is a curious undertaking. A British Government might extend its commitments considerably in ways that would develop individual " initiative and enterprise."

POINT 4. " Frank and full co-operation with France and our other Allies."

When Germany, Russia, Turkey and their Asiatic support are ready for the coming Great War, frank and full co-opera-

tion with France will be of little avail, unless the whole of the British Empire has meanwhile been allowed to develop, almost to the full, its capacity for individual enterprise and initiative. Phrases are feeble things against appalling facts.

POINT 5. "Whole-hearted and practical support of the League of Nations."

That means enormous development of Imperial defences, or nothing. Force begets force, and admission has been made that Force must back the League's decisions.

POINT 6. "Maintenance of friendship and good understanding with the United States."

The United States respects high-minded policies backed by power to enforce them. It needs some British Possessions. This point therefore means cession or the power to resist aggression, for wars between nations are made by a few men with financial objectives, influence over politicians and control over agencies used for moulding public opinion. The Monroe Doctrine and Pan-American aims are not political myths. They contain scope for personal ambitions and provide politically means to submerge the Black Peril. When the U.S.A. is relatively powerful enough these aims will materialize. Meanwhile they regulate American Policy towards the League of Nations and entangling European Alliances.

POINT 7. "Close and continuous consultation with Governments of the Dominions and of India."

Mere consultation, however close and continuous, will pay neither the taxes nor interest charges of any individual here, although it may make the taxpayers' burden heavier by leaving fewer to bear it, as a result of large-scale emigration that consultations bordering on conspiracies may inspire.

POINT 8. "Ratification of Irish Treaty to be the Government's first task. A pledge to safeguard the freedom of choice and the security of the Parliament and Government of Northern Ireland."

The individual who seeks free scope for his initiative and enterprise sees neither tranquillity nor stability in this pledge to fight for disunion in Ireland.

POINT 9. "Development of India under the Constitution of 1919."

The Indian seeks in vain for redress from the grievance whereby his gold was made Legal Tender for only 10 rupees instead of 15 rupees. He looks upon this instance of British rule as dishonest, as it undoubtedly was and is. It was done in the name of the British people and benefited only the Silver Monopoly.

POINT 10. "Emergency measures dealing with unemployment."

This point proves belief in the futility of Point One wherein tranquillity and stability is to give free scope to initiative and enterprise.

The late Government spent appalling sums on "Emergency measures dealing with unemployment."

POINT 11. "Reduction of expenditure to lowest attainable level."

Mr. Bonar Law in contributing to the depreciation of our Legal Tender Money was one of the chief agents in making expenditure, during the war and since, reach the highest attainable level, by raising prices for everything as much as possible against the cost of Government. He does not show how he will now reach the lowest attainable level.

POINT 12. "Development of trade within the Empire: an economic Imperial Conference to consider methods."

This consultation would not be necessary if free scope for individual initiative and enterprise in this country were truly intended. The Imperial Development would follow as a logical consequence. But the Conference is necessary if the good things are to go in particular directions!

POINT 13. "Assistance to Agriculture."

Assistance is badly needed by Agriculturists. But the nature of the assistance should be more particularly stated. Is every farmer to be assisted or only a few? Are the many to be reduced to the status of farm labourers or driven to emigrate? Are the circumstances that will drive them to emigrate to be created in the form of financial inability to carry on at home and attractive pictures of land life abroad?

MR. LLOYD GEORGE

POINT 1. "A policy of peace, working with our Allies to the best of our power, but not tied behind the chariot of any other land."

This is the policy of Mr. Bonar Law but with the saving grace of common sense in the conduct of foreign affairs; but no voter is so much concerned with foreign affairs as with home affairs.

POINT 2. "Reparations within Germany's capacity to pay."

This again is a policy having the saving grace of common sense in relation to German reparations. But the voter is more concerned about his own "capacity to pay" for the common necessaries of life. Those who have no dole are unable to exact this from anyone. Those with fixed incomes find themselves reduced from comparative affluence to poverty.

POINT 3. "Renewal of the pact with Russia."

No voter can regard a pact with Russia as a reliable foundation for any kind of edifice. He would as soon build his house on sand.

POINT 4. "A League of all Nations."

No voter alive to-day can hope to benefit from a new Tower of Babel, and every Nation, including our own, is still unduly divided within itself.

POINT 5. "Co-operation with United States to ensure a just and lasting peace."

No voter feels that the most powerful men in the United States intend to ensure a just and lasting peace—and home affairs need so much earlier attention.

POINT 6. "Stern economy: no tariffs."

The voters are not so much in favour of economy as of means to pay. They have economized in many cases to starvation point. If they were prosperous they could afford the reforming ambitions of a generous Government. Too much economy is as bad in a Government as in a Household. Wise expenditure is essential to general prosperity. "No tariffs" is the soundest policy for this country in the present state of the world, *if tariffs are also lessened on finance* and real freedom to trade thus made possible.

POINT 7. "Industrial Co-operation."

Industry cannot avoid co-operation. It is the industries that are lacking, not the co-operation.

POINT 8. "Generous encouragement of Agriculture."

This is needed badly, but the principle must be generally applied to all pursuits if the effect that is sought is to be produced, even amongst the farmers.

POINT 9. "Employment of State credit for Imperial Development."

This is a great pronouncement. It is something that can be accomplished but only in certain ways. Imperial Development with our State credit can take place only by using the State credit as means to create its equivalent in productive capital here. This capital would then have justified the credit and would be the agent of its redemption.

The Credit can be based on agricultural and every other productive pursuit. It would release enough funds and products to speed up Imperial development to our hearts' content. The development would strike our potential enemies with awe and our part in this beneficent work would bring peace, prosperity and security to every British home.

Does Mr. Lloyd George, in casting himself upon the people, with shackles of reaction shaken off, yet intend to make good his promise that our land should be fit for heroes to live in?

Everything depends upon his drawing no more drafts upon our credit for any other purpose than the conversion of that credit by prescribed rearrangements of wealth (which credit is able to effect) into productive home assets.

By that means alone can development both at home and throughout every square foot of our Imperial domains be successfully, safely and certainly assured. There is a well-tried admonition which is particularly apt in this connection: "Enter ye in at the strait gate!"

INDEPENDENT LIBERALS

POINT 1. "Peace and Disarmament, secured through the League of Nations."

The known ambitions, to say nothing of the necessities, of many nations, prove this aim to be a will-o'-the-wisp.

POINT 2. "Revision and settlement of reparations and Inter-Allied debts."

No Party has yet put forward any plan of settlement either beneficial to the British People, or of a practical character.

POINT 3. "Drastic economy: abandonment of the policy of military adventures abroad."

Drastic economy was being preached when Budgets hardly exceeded £100,000,000. The Budgets of to-day are nearly ten times that figure! What is a voter to think? Any voter would prefer an economic policy that would enable him to pay without intolerable inconvenience whatever Budget-demands the needs of the State entailed—even if our interests abroad required military adventures. The British Empire is too big and its resources are too great to admit poverty as a reasonable plea for the abandonment of its own welfare or its obligations.

POINT 4. "Security for workers against hardships of unemployment: co-operation between Capital and Labour, honest and fair treatment of organized labour."

The methods of avoiding unemployment, or (admitting unemployment) the method of securing the worker against its hardships should be definitely stated. Doles and Insurance schemes ultimately *cause more* unemployment if they are on a scale sufficient to cancel the hardships of unemployment of those who benefit.

Capital as the productive machinery of the country cannot but be co-operated with by Labour if it is in operation. The evil is that enough of it cannot operate profitably, so that less of it is remaining in action. Investment Funds are so heavy a drain upon it, in addition to taxation, that

wages are depressed below reasonable means of subsistence and hence cannot be accepted. As dear labour fully employed is the basis of national prosperity, the opposite condition of labour, only partially employed or wholly unemployed, reduces our market to a degree which renders general prosperity impossible.

" Honest and fair treatment of organized labour " suggests that dishonest and unfair treatment has been meted out to it. In this case what must have happened to unorganized labour !

However, there has not been dishonesty and unfairness in the immoral sense of those words. There has been an abuse of the financial system which the war has decreed must be rectified.

POINT 5. " Unqualified Free Trade : repeal of Safeguarding of Industries Act."

This would benefit every voter if by " unqualified " is implied enough freedom in the financial requirements of Trade, to make Freedom to Trade a reality to every individual with initiative and enterprise.

POINT 6. " Defence of such social services as Education, Housing and Public Health."

Millions of voters are in need of an economic system whereby they may obtain means to live ! These include 'Varsity men, Noblemen owning broad acres and fine mansions, and thousands of medical men with diplomas but no means to pay their way !

POINT 7. " Political and legal equality for men and women."

Inequality can never be eradicated, though it might be reduced.

POINT 8. "Comprehensive reform of land system: taxation and rating of land values."

The raid upon land values would mean ultimately a plan to poison production at its roots rather than to confiscate the crops.

POINT 9. "Democratic reform of licensing system."

This presumably means a prevention-of-licensing system: or, an unconstitutional restriction of the liberty of the subjects who possess no private cellars.

POINT 10. "Proportional Representation."

A greater immediate need is a change in our economic system which will provide bread, rather than M.P.'s, for all.

LABOUR

POINT 1. "Revision of Peace Treaties, reparations within Germany's capacity to pay."

Revision of Peace Treaties means new foreign complications without limit.

POINT 2. "An all-inclusive League of Nations."

If this policy is to be effectually pursued it means war with the United States and perhaps other nations. If the policy is not to be effectually pursued it is nugatory.

POINT 3. "Recognition of real independence of Egypt and self-government of India. Acceptance of Irish Free State Constitution."

How can Labour recognize real independence for Egypt without war with other countries where parties are not so generous? Or self-government for India, without estab-

lishing armies to resist the aggression of other powers—armies for which the British Taxpayer would have to pay, seeing that India could no longer be taxed by British Rule? The Irish Free State Constitution is acceptable to all parties everywhere—except in Ireland.

How can the voter gain a single meal by a policy of destruction of the British Empire? A sound economic policy applied in each of these countries in the interests of all the people would silence their call for independence.

> POINT 4. "Graduated levy on fortunes exceeding £5,000 to form war debt redemption fund: increase of death duties and super-tax: no taxation on incomes below £250 and reduction on incomes below £500."

As all incomes would soon fall below £250, how could the Government carry on? It would be without revenue. Anarchy would reign. Printed money would be of no avail. Fortunes do not really exist in money or credit, but in property. If property were appropriated to be sold for money and credit, who would buy it, knowing that it might be appropriated again? What would credit be worth in a state of such avowed insecurity? Credit, if it is supported by property secure and real, may be used to rearrange materials into either wealth or Capital (i.e. machinery of production). But credit based on insecurity is a figment of the imagination, without form and void, without purchasing power or any other utility. Of Money, there is very little in the country. The destruction of Credit would evidence the scarcity of Money in a hundred thousand tragedies! Appropriated securities would prove to be pieces of worthless paper. Who would buy them to have them appropriated in turn? The Banking Deposits which the Government would aim to appropriate would vanish. They are in the main funds borrowed from one bank and deposited in others. They are

registered promises on the one hand and claims on the other hand.

Funds seeking investment are neither wealth nor capital. They are in nature akin to credit. Nothing would be gained by their confiscation, for they consist of nothing except confidence that they will *not* be confiscated.

Grasped by the hand of Confiscation, their disappearance would be more real than that of the vanishing lady.

The increase of the Death Duties and the Super-Tax would be an act of lunacy. The wonder is that the Labour Party of all parties does not clamour for their abolition in so far as they fall upon the productive capital of the country, the employing factor in the organization of industry ! It is the heavy charges on production that compel employers to force wages down and that make some forms of employment impossible at any wages !

The Labour Party should cry aloud for the exemption of all Productive Properties in an estate from the payment of Death Duties and the exemption from Super-Tax of all incomes derived from productive works !

An adequate war redemption fund can come only from an enormous increase in the machinery of production following upon *increased*, not *reduced*, financial facilities to promote it. The financial facilities can take the form of credit used solely to engineer the building of the works, and the exchange and interchange of their products. The financial obstacle removed, it would no longer be said : " Dear labour is the chief obstacle to England's prosperity." This saying would give place to : " Dear labour means abundant supply of the wants of the great mass of the people : the fact that labour in general is dear is the very proof and substance of prosperity."

Point 5. " Taxation of Land Values."

This is another attack upon Production, the thing by which alone the nation lives.

POINT 6. "Revision of national grants to secure reduction of rates in severely pressed districts."

Policies which pauperized whole districts would soon leave no national grants for revision. Far better would it be to facilitate production on such a scale that severely pressed districts might soon have ample means to pay.

POINT 7. "Work or maintenance for unemployed."

There can be no maintenance without work. There can be no work without finance. There can be no finance, outside of that which is controlled, except by utilizing, exclusively for productive purposes, fresh credit based on existing productive properties.

POINT 8. "Reorganization of Agriculture. Landlords to sacrifice rents rather than ask workers to accept starvation wages. Restoration of the Wages Board."

Workers cannot be made rich by making landlords poor. Wages are raised automatically in the competition for workers. Let agriculture participate in productive financial facilities and the whole industry will flourish.

POINT 9. "Nationalization of Mines and Railways. Increased share of control for the workers. No interference with Trade Boards."

The first and second provisions are not nationalization but practical appropriation by a set of workers at the expense of the nation. This is merely a new phase of confiscation and is a hopeless aim.

Under such a scheme the impoverishment of the workers, mine-owners, railway companies and taxpayers would reach undreamed-of levels. There is no remedy for the grievances of workers except competition for their services born of great

and general prosperity such as would result from a nation-wide individualistic policy of vastly increased production both in quantity and kind.

POINT 10. "A National Housing Scheme."

Make the people prosperous and houses in abundance will materialize without the aid of the taxpayer.

POINT 11. "Larger Old-Age Pensions. Pensions for widowed mothers. Complete supervision of the Poor Law."

All these allocations are increased burdens on production which in preventing production from being saleable in any conceivable market would add to the evils the plan is intended to remedy. All burdens on Production should be removed or reduced, not increased. The evils cited will then cure themselves.

POINT 12. "Ex-service men's pensions to observe the rule 'fit for service, fit for pension.'"

The entire nation sympathizes with ex-service men. Every one is willing to pay towards pensions if he can. It should be the aim of Labour to make every one able to do so: not to use a careless shibboleth which may apply only to dead men on the one hand and uninjured men on the other hand.

POINT 13. "Removal of all disabilities affecting women as citizens, voters and workers."

How can Labour accomplish the impossible?

POINT 14. "Control of liquor traffic according to the people's will."

This is the only point that is to be applied according to the people's will. It is clearly an unintentional admission

that the Labour Party approves for this country what Italy has suffered from and what has given rise to the Fascisti there. These are the words of the Leader whom all Italy is flocking to support: " Italy shall no longer be governed by petty political factions for their sectional interests."

NOTE

Group control of means to pay which has produced intolerable monetary conditions in millions of homes; control which has run riot during the past thirty years and has now become an international menace; control which is a question vital to the masses of the people of every civilized nation, is not touched upon directly by any of the political programmes, all of which are couched in terms implying only sectional interests probably supported financially by groups in control of means to pay. Only Mr. Lloyd George has even *seemed* to allude to it. Truly parties that serve only a section of the Nation to the detriment of the people generally are on their trial. Unless they are wise in time neither men nor measures but the force of circumstances will destroy them.

FINANCE AND THE VOTER

TO finance is to find means to pay.

Legal Tender, so-called cash, and Banking Credit are practically the only means of payment outside security manipulation in this country.

The chief means to pay which this country uses consists of transfers of banking credit from one account to another by cheque.

Voters in this country require financing to the full extent of obligations payable only in cash or Banking Credit. Every home is filled with anxiety by its shortage of these means to pay, and the difficulty of obtaining them.

This difficulty is increasing daily—faster than expenses are falling. There is no relief to be expected from lower taxation. The new Chancellor of the Exchequer, Mr. Stanley Baldwin, has said so. The fact is not more palatable in being true.

Most homes are financed by wage-earners. Wage-earners can finance to the necessary extent only by obtaining enough employment at high enough rates of pay. When they are unemployed no Government can finance them to a sufficient extent by doles or other forms of poor relief. These are charges on the production which employs wage-earners. They are extra charges which add to normal costs; they increase prices when, in order to make products saleable in appropriate markets, costs should be reduced and prices lowered. If this economic rule of low-enough price be not observed, the markets for such products must collapse, the products will

cease to be produced, and those who should be engaged in their production will be thrown out of employment.

Thus doles add to the unemployment evils that they are meant to remove.

Kindred effects are caused by schemes of employment for employment's sake alone, without the reason and impetus derived from the natural and orderly requirements of economic progress. They derange the markets of materials, raise their prices against promoters of works needed in legitimate industrial developments, prevent those developments, submit existing concerns to unfair competition, close them down, and create a gap in an industrial cycle which causes that cycle to collapse.

For a time emergency works may lessen unemployment; but in the end they create greater unemployment than that which they alleviate. Neither doles without work, nor doles by way of unnecessary work, can adequately finance the wage-earners of the country.

Yet if the wage-earners and those who have to live on small means are not adequately financed, the misery in store for them can hardly be exaggerated. Until the present time many have been helped by small savings during the war; by the pawnbroker; by the sale of securities at prices below their value; by help from relatives and friends; by charitable organizations and homes for relief in sickness and convalescence.

At higher levels, seemingly well-to-do people, as possessors of tangible assets, have been helped by loans from banks and insurance companies; by private mortgages; and by disposal of their property. Some have gone out of unprofitable businesses and made their homes abroad. Some have been driven out of unprofitable business through the bankruptcy courts. Some have had their effects sold up under the hammer, and from comparative plenty have been reduced to abject poverty, not qualified even for the dole. Some,

faced with impending ruin, and others absolutely ruined, have sought relief in suicide.

All these things have happened already. Monetary help, greater than any Government in any country ever gave before, did not prevent them!

The need is even greater now. The charges on business are relatively greater than ever before, and the fields of legitimate employment are narrowing rapidly.

All so-called remedies and palliatives must fail, if they are mere evasions of the duty of the Government to do as much as possible, rather than as little as possible, in the free financing of the people in a sense both real and sound. The object of that remedy would be to make goods and services as freely exchangeable for cash and Banking Credit as cash and Banking Credit are exchangeable for goods and services.

FREEDOM TO LIVE, EQUAL TO THAT ATTAINED IN AN ADVANCED STAGE OF BARTER, WOULD THEN BE ATTAINED BY THE MASS OF PEOPLE NOW WORSE OFF THROUGH LIVING IN THE FINANCIAL AGE; THE AGE WHICH REQUIRES ALL PRODUCTION AND EXCHANGES OF GOODS AND SERVICES TO BE EFFECTED THROUGH A THIRD FACTOR IN THE BUSINESS COMPOSED OF CASH AND BANKING CREDIT —NEARLY ALL OF WHICH IS CONTROLLED AND DIRECTED BY HIGH FINANCE.

Unless the home of to-day can command an adequate amount of this essential factor, it must go to rapid ruin through the pawnbroker and the auction-room.

The small amounts of cash and Banking Credit, after deductions of interest, realized by forced sales, fall far below the values of the articles of furniture and other things disposed of. Homes made by the savings of years are dispersed in as many minutes!

The defective distribution of cash and Banking Credit is the real cause of the rising and spreading misery that

threatens to submerge nearly every home, from the ducal palace to the labourer's outhouse and slum.

It is the cause of the Government's dispensation of doles, and of the demand by Labour for the Capital Levy. It is the cause of the DISTRESS which moves a Government to adopt a policy of doles; the cause of THE VIOLENT DEMANDS FOR RELIEF FROM THEIR SUPPORTERS which force Labour Leaders to make their insane demands for a Capital Levy, with higher income-tax and higher super-tax—all of which would intensify the distress and misery that they are expected to cure. It is strange, but it is true, that in financial bewilderment even Mr. Bonar Law and Mr. Austen Chamberlain have philandered with the suicidal idea of a Capital Levy!

The defective distribution of cash and Banking Credit can be remedied simply and easily, bringing a wealth of happiness to the whole people, instead of a growing crop of inconceivable misery; and yet not one word is said of it, neither bankers nor politicians discuss it.

How money is to be taken from people and debt cancelled is discussed by Labour! How money is to be taken from people in taxes is discussed by Chancellors! How money is not to be spent by the Government is discussed by critics! But how money is to be got into the pockets and banking accounts of the people is never mentioned!

"More Trade, More Wages" is placarded by parties whose leaders say no word and give no sign as to how this is to be attained; by parties whose leaders say many words, and give many signs as to how their policy will NOT attain it!

An effective distribution of cash and Banking Credit, leading rapidly to an era of unexampled prosperity, can be achieved by a revision of our monetary system and reversion to its pre-war basis. This must be coupled with the creation of credit secured by productive property and the national

guarantee, under the condition that, in the first instance, the credit shall be used solely to unburden existing productive machinery of onerous charges, and to establish new productive machinery; and, in the second instance, that the credits brought into the accounts of others by this expenditure, and appearing in the banks as deposits, shall be freely used—as many deposits are now used—for the purpose of discounting bills representing the removal and marketing of the products of productive machinery, the discount rate to be no higher than 3 per cent.

Until he expends it, the credit created is to belong to the owner of the productive property on which it is based, and by which it is secured. It is therefore to bear no interest. This owner, however, is to be under the obligation to pay charges to the banks for the use of their banking machine until the credit is redeemed by the last of its prescribed instalments.

No credit created for the purpose of facilitating to its full amount the rearrangement of wealth into capital—i.e., actual productive machinery—or for removing burdens from existing productive machinery, can honestly be termed Inflation. It may be dishonestly called so for the sole purpose of frightening or deluding people who are not well-versed in these matters.

This scheme is based on a policy of wiping out charges upon production instead of piling charges upon it; a policy of making production easy instead of difficult; a policy of making way for machinery whilst increasing abundantly the chances of profitable employment for men and women; a policy of making high wages compatible with low costs of production; a policy of widening rapidly the markets able to buy our goods; a policy of providing freights, without appreciable limit, for all our means of transport; a policy of leading Europe back to peaceful industry, despite crazy exchanges, by providing a universal market in respect of

both commodities and their financial equivalents; a policy which would lead European countries (if their Governments so desired) back to stability in their own monetary exchanges, after stopping the present headlong rush to monetary destruction and social revolution; a policy which would release the wonderful capabilities of Imperial development, which the bad old policy of cornering financial resources, and thereby strangling individual initiative and enterprise, has held in leash so long.

VOTERS! UNLESS THE CANDIDATE YOU FAVOUR WILL PROMISE YOU THIS FINANCIAL REFORM, ABSTAIN FROM VOTING!

[The proposals of Sir Oswald Stoll published under the above heading in the last issue of *The Referee* have moved a correspondent, who signs himself "Retired Bank Manager," and living near Brighton, to write as follows:]

"I should like to be allowed to ask for a more definite statement or explanation of your proposal contained under the above heading.

Thus, paragraph No. 22, 'An effective distribution,' etc. Are the 'Credit secured by productive property and the National Guarantee' to be *compulsorily* granted by the banks? And, if so, to what extent in proportion to their respective capital or deposits, and at what rates of interest?

Also in relation to the amount of such grants by each bank, to what extent or proportion of deposits is the bank to be compelled to discount bills?

Paragraph No. 23. Is the bank making the grant to have control of the expenditure of the money and to be responsible to the Government for the proper and legitimate use of such money?

If the National Guarantee is to indemnify the banks on such transactions, is not the proposed scheme equiva-

lent to nationalizing the whole banking business of the country? And does it not cast an overwhelming burden and responsibility upon the banks and impair their financial stability to an alarming extent—to say nothing of their profits?"

THE EXPLANATION

The Author replied as follows:

"The credit secured by productive property and the National Guarantee will be compulsorily granted by the banks in view of the fact that it will be furnished to the banks for that use and no other. The extent of the credit will not be regulated by any proportion to the capital or deposits of the banks through which the productive loans or credit are sanctioned. The banks will (if that book-keeping method be adopted) be entitled to draw upon the Bank of England for each credit that is sanctioned. The banks will pay no interest for this, and will therefore receive none.

The specific credits will be created by the Bank of England as required against the Government Guarantee. The process is simple, and you, as a retired banker, doubtless know it. The Bank of England would hold the Government Guarantee. The local banks would hold certificates and deeds.

The banks will be compelled to discount bills drawn against commodities, one bill one value (prior to the last transfer of said commodities for actual consumption), up to an amount equal to the Production Loans or Credit drawn on the Bank of England, and issued by them.

But there will not be any indisposition on the part of the banks to discount bills of this kind to an amount even greater than this, and notwithstanding the limitation of the rate of discount to 3 per cent.

The banks are to see that the credits are being used for the purpose in respect of which the credits were sanctioned by the Treasury.

The National Guarantee in respect of a large number of private accounts cannot be called nationalization of the whole banking business of the country.

There would be no overwhelming responsibility cast upon the banks, even though their business would be larger. Their financial stability would be greatly increased, not reduced, because all credit, including the loan-deposits which at present form so large a part of banking deposits, would be strengthened in their foundation by the additional capital assets in the country which would result from the purposes to which the Production Loans would be applied.

The profits of the banks would be increased by the discounts on the vast number of bills which would ultimately be drawn in respect of vastly increased trade. Moreover, banking business outside the boundaries of this special scheme would not only become more profitable, but also more secure for both bankers and public."

"THE CLEAREST LIGHT"

"Retired Bank Manager" then replied:

"Allow me to thank you for your kindness in answering my inquiries, and for taking the trouble to explain what I did not understand. I am much obliged for your book, *More Broadsheets on National Finance;* it puts this difficult subject in the clearest light and enables an outsider to grasp it to an extent I had not realized.

I shall make a point of passing both your letter and the book round the circle of my banking acquaintances."

OTHER NOTABLE BOOKS BY SIR OSWALD STOLL

The People's Credit

Published at 6/= net

The purpose of this work is to promote the extension of a Credit System rendered indispensable by the magnitude of our commercial operations but which whilst confined within its present limits bears hardly upon the vast majority of those upon whom it ultimately depends: those whose activities constitute in the main the National and Imperial life and the extension of whose activities would accelerate the development and enhance the prosperity of the British Empire as a whole throughout all grades of our Imperial people. The book is an earnest and profound plea that those who have vital stakes in the country or the Imperial area should be no longer fettered by financiers, bankers and mortgagees who advance these stake-owners credit, not cash, *upon high interest and onerous terms and have the right to call for repayment in cash or credit at a time when they (the lenders) are in control of the credit and not a tithe of the necessary cash exists.*

Freedom in Finance

Published at 10/6 net

In this book the author deals with the power of credit in economics to bring under the control of those who wield it the services of every individual not of independent means and to reduce to dependence all individuals outside an inner ring of not necessarily British finance—a world State which would realize "The Coming Slavery" predicted by Herbert Spencer.

He formulates the means whereby credit might be wisely distributed as a right, rather than as a favour, and the power of credit, being exercised by the many instead of by the few, utilized to establish a financial democracy instead of a financial oligarchy.

"Broadsheets" on National Finance

Published at 1/6 net

With a few exceptions all the chapters comprised in this book represent a series of "Broadsheets" contributed to the public press at the author's own expense from January, 1920, to April, 1921.

They are now gathered together into more permanent form in response to many requests and in a patriotic desire to support those who work for the world's true weal and as an offering of reasoned counsel to all labourers—whether of hand or brain—who would know more of a subject which is the key to their own and their Country's well-being.

BOOKS TO READ, THINK ABOUT & TALK ABOUT

May be obtained of all booksellers or direct from Wm J. Roberts, Ten Charing Cross Road, W.C.2